ACCOUNTING REVIEW

UNIVERSITY OF DUNDEE

APRIL 2025

CONTENTS

EXECUTIVE SUMMARY

We were engaged to:

- Establish if there was a failure of financial reporting to the Executive Group and Court.
- Review the University's assessment of the main movements in cash over the past four years.
- Review three breaches of Procurement Regulations (Public Contract (Scotland) Regulations 2015 and Procurement.

As set out in the report, we consider that internal financial reporting documentation presented to the University Executive Group and the Finance and Policy Committee in 2023/24 was not of adequate detail to set out the financial challenges and financial position, with changes / omissions to the documents prepared by the Finance team which would have aided understanding had they been included. The specific reports assessed in Scope 1 covered the period up to October 2024.

Reporting of the cash position of the University was inconsistent throughout the period under review with most of the papers omitting any form of cash reporting. The University elected to continue significant capital expenditure during a period of difficult operational challenge which had a pronounced impact on cash balances. There was also a high level of unbudgeted operating expenses throughout the period under review.

There is no evidence of any fraudulent activity from the procurement breaches reviewed, although in all cases there were breaches of procurement regulations.

INTRODUCTION

The University of Dundee ("the University"), engaged AAB Audit & Accountancy Limited ("AAB") to perform an accounting review in respect of: Court, Committee & Executive papers, accounting records and procurement information for the period from 1 August 2019 to 31 October 2024. The key objectives of this assignment were to:

- **Scope 1:** To establish if there was a failure of financial reporting to the Executive Group and Court. Primarily a number of reports which require review where there are anomalies and / or issues relating to a sufficient level of clarity between the reports and data produced by the Senior Finance Team and the versions presented to Executive Group, Committees and Court. The University of Dundee identified an initial six reports to be considered.

- **Scope 2:** Review the University's assessment of the main movements in cash over the past four years. In particular, this will cover capital investment, movements in working capital and the main operating investments.

- **Scope 3:** Review three breaches of Procurement Regulations (Public Contract (Scotland) Regulations 2015 and Procurement (Scotland) Regulations 2016 to ascertain if there should be an investigation into potential fraud.

The key documentation used is referred to in Appendix 1 explaining the documentation used in the assessment and its relevant file name.

The body of this report covers the three procedures outlined within the scoping document. Each section summarises the objective of the procedures, the work performed, the conclusion of the procedure and recommendations identified.

WORK PROGRAMME

Scope 1

- We will obtain the initial reports relating to six scenarios gathered by the Senior Finance Team and the versions presented to the Executive Group, Committees and Court and supporting working papers from the Interim Director of Finance.
- We will scrutinise the reports for anomalies, unusual trends / expectations and discuss progress / queries with the Head of Finance.
- We will report our findings from the review of the six scenario reports.

Scope 2

- Obtain and analyse the internal cash flow reports over the past four financial years being 31 July 2021, 2022, 2023 and 2024.
- Obtain and review the statutory accounts over the past four financial years being 31 July 2021, 2022, 2023 and 2024.
- Obtain and review the bank statements over the past four financial years being 31 July 2021, 2022, 2023 and 2024.
- Scrutinise the cash movements from the start of each financial year to the end of the financial year, linking bank balances through each financial year.
- We will discuss progress/queries with the Head of Finance.
- We will report our findings of the main movements in cash over the past four financial years noted above.

Scope 3

- Obtain information regarding the three breaches of the Procurement Regulations, to include emails and contracts from the University's Head of Procurement.
- Review regulations and procedures
- Assess the information in line with the Procurement Regulations.
- We will report our findings from the review of the breaches.

Limitations of scope

- We ***will not*** verify data within the six reports to supporting documentation and therefore cannot comment on the integrity of the data input to the reports. Our scope is to compare reports prepared internally by the Senior Finance Team to those presented internally to the Executive Group, Committees and Court.

- We ***will not*** verify data within the cash flow reports, statutory accounts and bank statements to supporting documentation and therefore cannot comment on the integrity of the data input to the reports. Our scope is to review the main movements and understand the type of inflows and outflows.

- We ***will not*** verify data within the supporting documentation and therefore cannot comment on the integrity of the data input to the reports.

SCOPE 1: FINANCIAL REPORTING

SUMMARY OF THE PAPERS REVIEWED

We have reported below on the papers provided in chronological order.

Across the papers reviewed as part of Scope 1 we identified a decline of financial performance across each period alongside a deterioration in the quality and frequency of financial reporting to the University Executive Group ("UEG") and the Finance and Policy Committee ("FPC"). We have summarised the movements in the 2023/24 forecast surplus / deficit across the papers reviewed (below in Figure 2). All of the positions reported varied significantly from the final position per the financial review in the draft statutory accounts which was an underlying deficit of c£12m versus the c£1m deficit reported in the supplementary financial review of the year paper presented to UEG (02/10/2024) and FPC (10/10/2024).

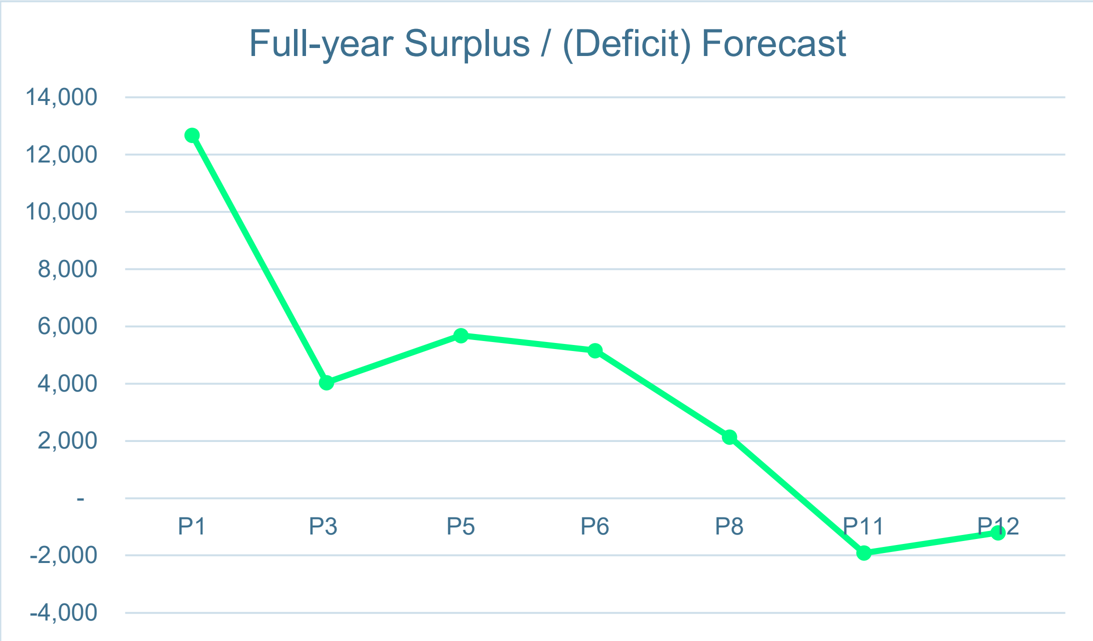

Figure 2: Forecasted Surplus / (Deficit) per period in 2024

Key findings across the papers were observed:

- The structure and layout of the papers presented in the 2023/24 financial year were not consistent. This impacted the understandability of the financial reporting.
- Regular reporting on key financial reporting data such as CAPEX updates, covenant position updates and detailed explanations of cash movements was inconsistent or missing.
- There was limited commentary addressing why the budget had not been met in several areas. It is important to give a high-level overview to UEG and FPC with the supporting detail following the overview to support the figures. We found there was an in-depth analysis of key areas such as tuition fees and staff costs, but the financial reporting lacked the ability to build the overall picture of the University's finances from the detailed analysis.
- The forecast to 2023/24 year end reported throughout the year was significantly different to the draft statutory accounts position. Period 12 management accounts prepared by the Head of Financial Accounting had a different operating result than that what was presented in UEG and FPC papers.

PAPER 3 – 2023/24 Q1 MANAGEMENT ACCOUNTS

Reforecast

We reviewed the UEG 2023/24 reforecast documents from the initial prepared documents from Finance through to the version presented to the UEG. The paper stated that only material items were being presented to the UEG.

We compared versions through an AI matching tool (Trullion). There were no changes noted between versions that would impact the user's understanding of papers.

The reforecast was dated 1 November 2023 and highlighted that the estimated 2023/24 forecast operating surplus to be c£3.7m. There was a significant downward shift by the time that the management accounts were presented on 24 November 2023, stating the Q1 estimated 2023/24 forecast to be a c£1m deficit. The key items drawn out for the reforecast that were adverse or favourable were:

- Net variance on tuition fees: It was clear there was a material under recruitment against budget (c£10.8m to £13.4m adverse against budget).
- Staff costs: overall a favourable variance due to understaffing.
- Improvement in USS pension costs; with an overall reduction in employer contributions saving c£3.3m.
- RAAC costs: Relocation of activities, causing costs of £0.8m.

Q1 management accounts

We reviewed the Q1 management accounts from the initial prepared documents by the Finance team through to the version presented to the UEG.

We compared versions through our AI matching tool. We examined the differences between these versions to consider how they would impact the user's understanding of papers.

The initial Finance prepared document included in-depth analysis of key areas, including tuition fees, staff costs, pension costs, other budget variances and the overall cash position. There were elements missing from this document that in our view should have been reported. These include detailed analysis of CAPEX, loan facilities, and financial covenant calculations.

On review of the final document version, much of the detail regarding the key areas above was retained, although certain areas were summarised with detail removed. Two elements were omitted from the final document version; being several appendices and the commentary on the University's cash position. The omitted appendices included:

- Income and Expenditure by organisational unit
- Cash Flow
- Staff costs trend data

The rationale for these omissions is unclear.

The initial Finance prepared document contained a commentary on cash flow position linked to the cash flow appendix noted above. This commentary was removed in the final document version. The cash flow commentary omitted was as follows:

"*Closing cash at 31 October 2023 was £26.8m excluding ringfenced funds. The year-end projected cash balance excluding ringfenced funds is £13.0m against a budget of £27.7m, £14.7m adverse to budget. Based on current projections, the closing cash position at 31 July 2024 would sit below our £20m minimum, potentially requiring loan financing drawdown of circa £7m if ringfenced funds of £40.3m are to be maintained. With no capital slippage currently forecast against 2023/24 budget, the forecast cash position is likely to be cautious but will be closely monitored*."

Failing to report the cash position to the UEG is inadequate financial reporting as cash flow is a fundamental indicator of financial health. The UEG and Court rely on accurate and complete financial information to make informed strategic decisions, assess liquidity risks and ensure the organisation can meet its short-term obligations. Without visibility of cash balances, the UEG may be unaware of liquidity issues, leading to poor decision-making.

We understand that no loan financing was drawn down in the 2023/24 financial year, despite significant spend on CAPEX in the year. A key statement in the (omitted) Q1 cash flow commentary was that the University should consider drawing down its debt facility to maintain its cash balance. This commentary was omitted and we note that finance was not drawn down and cash balances significantly reduced throughout the year.

Other variances between the papers

The movements between the papers, identified through our AI matching tool, are drawn out below:

Per reforecasting (P2)	**Per management accounts (P3)**
The overall net position on tuition fee income taking these factors into account is a range of £10.8m to £13.4m downside against budget (with best estimate of £12.1m).	This adverse forecast position is primarily due to a shortfall against tuition fee targets, resulting in an unfavourable net fees position of £17.9m
Forecast operating surplus of £3.7m	The management accounts for the first quarter to 31 October 2023 forecast a full year operating deficit of £1.0m
[Pension Costs] … expected to result in savings of £2.7m to £3.3m against budgeted contribution levels.	This is partially offset by a reduction in pension contributions (£6.7m)

PAPER 5 – 2023/24 Q2 MANAGEMENT ACCOUNTS

P5 management accounts

We reviewed the management accounts for P5 (to December 2023) from the initial prepared documents from Finance through to the version presented to the UEG.

We examined the differences between these versions to consider how they would impact the user's understanding of papers.

Finance version

P5 management accounts (to December 2023) prepared by Finance included some key narrative on the University's performance:

> *"The management accounts for the period to 31 December forecast a full year operating surplus of £0.6m (excluding the impact of accounting for Tay Cities) against a budget of £7.6m, an adverse variance of £7.0m."*
>
> "*EBITDA is forecast to be £8.9m (3% of income) against a budget of £15.9m (4%)."*

The paper referred to the projected closing cash position for 2023/24 but forecast that it would be c£54.9m and noted that there was no capital slippage currently forecasted. It was further noted that "*Period 5 cash forecast should be considered to be a cautious picture and we do not anticipate a drawdown of loan financing being required*."

The final year end cash position in the statutory accounts significantly differs to this 2023/24 forecast position. We would have expected the 2023/24 forecast to be reasonably accurate at this period. The cash was forecast to reduce by £20m from the opening position but there is no explanation of this reduction in the document. The position of loan drawdowns changed from what was reported in Q1 as the original Finance prepared document considered a c£7m drawdown at that point. The reason for this change is unclear as the position did not significantly improve between these two periods.

The paper outlined the issue of unapproved discretionary spend:

> *"forecasts have increased by £1.7m, in many cases reflecting additional unapproved discretionary spend, including a forecast increase of £0.8m in the School of Life Sciences."*

This is a significant increase in spend in Q2. This spending can lead to departments exceeding their allocated budgets, creating financial strain. It is unclear why this unapproved spend occurred in a period where cash was reducing.

UEG version

We reviewed the management accounts to P5 reported to the UEG. There were several changes to the structure and layout of the management accounts previously reviewed. The change of structure did not improve the understandability of the document and in many cases, it proved less clear. Below we have analysed some of the changes to narrative as well as the key financial reporting message and commented upon their implications.

The UEG version had removed the cash forecast and the narrative on the cash position of the University. The cash flow commentary omitted was as follows:

"Closing cash at 31 December 2023 was £28.5m excluding ringfenced funds of £40.3m. The year-end projected cash balance excluding ringfenced funds is £14.6m against a budget of £27.7m, £13.1m adverse. With no capital slippage currently forecast against 2023/24 budget, this forecast cash position is likely to be cautious but will be closely monitored."

This also occurred in the Q1 reporting (report 3 above), which it suggests a weakness in financial reporting and cash flow oversight. The failure to accurately report the cash position to the UEG is not an isolated incident and constituted an ongoing risk that undermined the quality of information available for strategic decision-making.

The following comment was made in the UEG version:

> *"Whilst there has been no material net movement to the overall forecast for the year, the forecast does assume that additional savings will be delivered ...."*

This outlines to the UEG that there is a requirement for additional savings to be made for the forecast to be achievable. There was not a clear breakdown on what savings needed to be achieved to make it possible. The document lacked the sufficient detail to understand the progress towards cost savings.

The UEG version includes narrative on staff costs as follows:

> "…it is estimated that staff costs will be lower than budget, in part due to reduced recruitment reflecting lower student numbers, but largely due to higher than budgeted levels of vacancies albeit this is consistent with levels experienced in recent years. We have also taken steps to carefully manage costs and ensure appropriate savings can be realised."

The costs were being compared to the 2023/24 budget which was known at this time of year to be unachievable due to the reduction in recruitment of international students. A more relevant approach would have been to discuss the staff costs in the context of the decreasing tuition fee income with a detailed impact report on the forecasted staff costs and subsequent cash impact. From our review of Scope 2, the 2023/24 operating activities outflow of cash related in part to an overspend in staff costs due to additional hires and pay increases for existing staff members. Within the reforecast 2023/24 from Q1 Report 3 above, it was noted "*staff costs: overall a favourable variance due to understaffing*". There was insufficient clarity and detail provided to UEG and FPC over the year concerning the combined impact of falling tuition income and the staff cost pressures on the University.

Other variances between the papers

In the Income and Expenditure breakdown it was noted that an extra £2.2m in income was added to the Life Sciences forecast with no corresponding cost increase. We could not verify what caused this variance between versions or vouch to any supporting material.

There was a consolidation of the "Other" section of the Income and Expenditure breakdown which reduced the visibility of what made up "Other Items". This included the consolidation of betterment, holiday pay accrual, approved strategic investments, strategic investment fund, general contingency and USS accounting adjustments against central adjustments. The consolidation of this information reduces the user's ability to interrogate individual line items.

P6 / Q2 reporting

We were provided with the P6 (Q2) management accounts prepared by Finance and the document reported to the UEG. The original copy prepared by Finance was nine pages long and was mostly highlighted in yellow indicating it was not a complete version. There was also narrative referencing where P6 movements could be found on a shared drive. The UEG version was five pages long and did not have a depth of information.

Q2 management accounts – Finance and UEG

The commentary presented did not differ from that in the P5 accounts, so was not complete. There was no cash flow prepared although the rest of the appendices were updated for P6 figures.

The UEG document did not materially change from the P5 reporting and failed to add sufficient narrative for the movement between the two periods as well as narrative on CAPEX and financial covenant calculations. It primarily commented on staff costs but these comments were largely delivered in P5 management accounts to UEG. The message was that the forecast to 2023/24 being a small surplus of £0.1m was a good position to be in given other HEI’s were expected to be in deficit. However, the actual financial position in the statutory accounts was significantly different for 2023/24 compared to this message.

Other variances between the papers

Report Appendix 1 – Income and expenditure variances:

Several unexpected changes were identified between P5 and P6. The full-year budget figures changed by approximately £2 million on the Total Schools line, with no accompanying explanation. Similarly, an unexplained movement of approximately £1 million was observed on the Total Directorates line.

The year-to-date (YTD) variance for Schools and Directorates, which stood at £(10.5)m in P5, widened to £(16.0)m in P6 without any supporting rationale. The full-year forecast for Schools and Directorates deteriorated from £(16.4)m to £(20.4)m, with no further explanation. The P6 results indicated a concerning financial outlook for the University, reflecting a worsening deficit without clarification on the underlying causes or the mitigations being implemented to prevent further deterioration.

Furthermore, there continued to be no reporting on the University's cash position, CAPEX or covenant position. This lack of transparency impairs the UEG’s ability to make informed financial decisions, particularly regarding the drawdown of debt or the approval of additional unbudgeted operating expenditure.

P8 reporting

This replicated much of the narrative from P5 reporting and, in our view, failed to add sufficient information to explain the movement experienced to P8. Similarly to P6 reporting the University’s variance against budget and forecast widened with no clear explanation as to why or what the University had in place to avoid further deviation. There continued to be no reporting on the University's cash position, CAPEX or covenant position.

P9 and 10 reporting

No management accounts were reported for these periods and no accounts prepared by finance were shared with AAB. The Head of Financial Accounting confirmed that accounts were prepared by the Financial Accounting, Finance Business Partnering and Research Finance teams.

PAPER 4 – 2023/24 P11 MANAGEMENT ACCOUNTS

The paper provided outlined the management accounts for the period to 30 June 2024:

"*The management accounts for the period to 30 June 2024 forecast a full year operating deficit of £7.0m (excluding the impact of accounting for Tay Cities) against a budgeted surplus of £7.6m, an adverse variance of £14.6m."*

It outlined the continued forecasted decline in the operating surplus into a deficit position. This movement was driven by budgeted cost savings that did not materialise. Within the report were appendices on Income and Expenditure by organisational unit and forecast trends in meeting savings targets.

This report had no mention of the cash position, staff cost trends, research contributions, CAPEX or covenant position. Overall, the paper was light on information and did not provide a reasonable assessment of the overall position of the University. From information included in Paper 2, it was noted in an email from the Vice-Principal International on 23 September 2024 that the information had not been presented to the UEG or the FPC so it is uncertain whether this was a final draft.

PAPER 6 – 2023/24 P12 MANAGEMENT ACCOUNTS

There were three papers provided including: original management accounts with narrative from the Head of Financial Accounting; the management accounts presented at the UEG meeting; and the management accounts presented at the FPC meeting. Our analysis of this paper focused on version changes between each iteration.

There were no changes between the copy of the document presented at the UEG to that presented at the FPC. However, there were changes between the original copy prepared by the Finance team and the copy presented to the UEG. We summarised the key changes below:

Change of comparative data

One of the key changes between the documents was the change of comparative data shifting from using P11 forecast data to using P8 forecast data. From our review of the other papers this is likely because P8 was the last period where management accounts were presented to the UEG and FPC. This was supplemented by emails provided to the engagement team originating from the Vice Principal dated 23 September 2024 expressing concern that the UEG had not reviewed management accounts for P9 – 12 and last reviewed P8 data on 15 May 2024. There is no certainty that this was the reason for the change.

Changes to original narrative

There were several changes from original narrative and additional entries which add more context to the narrative. Other changes relate to the removal of commentary that was relevant when comparing to P11 forecast data, which would not have been useful when using P8 forecast data as a comparative.

There was a removal of detail surrounding the favourable movement against central budgets, again this seems primarily driven by the change in comparative data, however, this does remove a level of context from the reader's understanding. There was an alteration to the narrative surrounding the including of DSV in the accounts noting that it should marginally improve the position. The structure of the financial reporting information and the manner in which it was aggregated lacked clarity. The presentation made it difficult to assess performance.

Cash position

We have included the narrative surrounding the cash position to draw out below as this was one of the most significant changes in the wider context of the financial reporting:

Per Finance copy	Per UEG copy
At the end of July the cash balance totalled £32.4m including previously ringfenced funds.	At the end of July the cash balance totalled £32.4m
This closing cash position was £35.5m adverse to budget. This variance was driven by the adverse operating position and significant adverse working capital movements, particularly on externally funded research activity.	This net movement in cash during the year was £14.6m adverse to budget, mainly as a result of the reduced EBITDA, but also due to an adverse position on working capital at the year end and partially offset by reduced investment in fixed assets. The position is adverse to forecast by £12.1m, largely due to adverse working capital position at the year end date. It should be noted that the majority of the working capital variance is a result of timing of invoicing and receipt of amounts related to research grant activity and we anticipate this to largely reverse into 2024/25 and are actively working to achieve this.

These changes impact the overall understandability for the reader. During previous FPC meetings, cash was typically reported separately to the "ringfenced" amounts that were raised through the University's sale of shares in an associate. While the cash position reported was accurate, in the wider context of previous reporting the change could be viewed as confusing. However, it is clear from the appendices that the overall reported cash figure was accurate.

The cash position was £35.5m adverse to budget according to the budget documentation reviewed and Finance's original narrative, it is unclear where the c£14.6m figure has been derived from. Additionally, it is unclear where the adverse to forecast figure is derived from the documentation reviewed. The additional narrative indicates that the cash position is primarily down to reduction of EBITDA and the adverse working capital position. It also suggests that this would largely be reversed into 2024/25, which has not been actualised.

Narrative and document accuracy

The initial Finance prepared document included in-depth analysis of key areas, including tuition fees, staff costs, pension costs, other budget variances and the overall cash position. There were elements missing from this document that in our view should have been reported through to the UEG and FPC meeting. These include detailed analysis of CAPEX, OPEX, loan facilities, and financial covenant calculations.

The elements missing above are material to the user's understanding.

PAPER 1 - FINANCIAL REVIEW OF THE YEAR 2023/24

The documents provided were in relation to the Financial Review of the year, a supplementary document to Court summarising financial performance for the year. As part of our analysis, we considered differences in the versions between UEG and the FPC paper and compared the FPC paper to the final 2023/24 accounts.

<u>Version changes</u>

There were several changes implemented throughout the versions. These included altering wording to be more general in some cases. Most of these changes we view as benign language changes e.g. changing wording from "Primarily this involved" to "Key actions taken included" and changes such as:

"The timing of ***formal*** award confirmation has impacted on the 2023/24 outcome with some ***very*** large awards not formally confirmed…"

There is no indication that there was an intentional change implemented to mislead the reader – see Appendix 2 for summary.

<u>Narrative and document accuracy</u>

There is a clear narrative in the financial review provided to the UEG and FPC that the University was not in a positive financial position. There were numerous references to underperformance of the University in: Tuition Fee Income, Operating Expenses, and Staff Costs. This narrative is not as strongly worded as it is in the draft statutory financial statement's review, where it states there has been a:

"material deterioration in financial performance"

The overarching narrative between the two documents is cohesive. They should be reviewed in conjunction with one another and from review they both show that the University has a deteriorating position. The structure of the financial review of the year and the way it was aggregated lacked clarity, resulting in a presentation that impaired the reader's ability to interpret and utilise the information effectively. The presentation made it difficult to identify key financial insights and assess performance. There is a lack of comparability in information provided previously to this report which reduced the overall usefulness of the financial review for decision-making purposes as it was not in the same format and covered different content than other reporting to the FPC.

The financial review of the year did not provide sufficient detail to explain the reduction in cash balances from £74m at the start of the financial year and £32m at the end of 2023/24, the outflow of CAPEX and OPEX in the year, the outcome of financial covenant calculations and why the £40m RCF with BoS was not drawn down.

We reviewed an element of the data being reported, the underlying deficit. The aim of this section of the document is to draw out what the underlying deficit of the University is, adjusting for one-off expenses and Defined Benefit Pension adjustments – see Figure 1 below showing draft financial statements to underlying deficit reconciliation. From our review we could trace most of the figures through to the draft financial statements or supporting documentation, however in our view the underlying deficit presented is understated.

The impact of the variances are material to the user's understanding.

Underlying performance	2023/24 £000	2022/23 £000
Reported surplus for the year	75,413	5,119
Total adjustments related to pensions	(71,250)	(9,265)
Tay Cities income recognised	(5,050)	
Costs associated with RAAC	619	
Currency exchange gains/losses	270	
Remove loss/gain on investments	(2,437)	(170)
Restructuring costs incurred	433	995
Impairment (22/23 related to RAAC)	913	5,885
Underlying (deficit)/surplus	(1,089)	2,564

Figure 1: Director of Finance's calculation of underlying deficit from financial review of the year

It is our view that the underlying deficit is greater than £1m as there are several adjustments that are not appropriate. The £995k reported in 2022/23 were restructuring costs associated to the formation of a new school. Whereas the £433k in 2023/24 relates to severance costs paid in the year for ad hoc exits which was not disclosed as a restructuring cost in the statutory accounts. This type of cost was excluded from the calculation in the prior year and the Head of Financial Accounting has stated that it is not appropriate to include this cost in the computation without also amending the prior year workings. We view RAAC costs & FOREX gains/losses as costs in relation to the underlying performance of the University and are therefore not appropriate to include unless there is comparative information added to amend the prior year.

The pension figure used in the financial review (£71.25m) does not agree to the statutory accounts, however the Head of Financial Accounting provided a breakdown in Figure 2 as to how this figure may have been arrived at by the Director of Finance:

	2023/24	HoFA Comments
Number quoted in Financial Review	(71,250)	
USS provision release	(80,316)	Agreed
Number provided by SY to PF for impact of USS ER costs August to December 2023 at 14.5% rather than 21.6%	2,710	Not appropriate to include
Budgeted USS adjustment	6,136	Not appropriate to include
Unfunded pensions	220	Not material and if included should be included in both years
Total	**(71,250)**	
diff	(0)	

Figure 2: Head of Financial Accounting Pension Recalculation

There were several adjustments to the figure included that were not appropriate to include as well as an adjustment included which made the calculation inconsistent with the prior year computation. In our view the underlying deficit that should have been reported in the financial review would be at least £10m lower, as the pension adjustment would be £80m rather than £70m.

We noted several inconsistencies between figures reported within the papers and what has been posted in the statutory accounts. These are summarised below:

	As disclosed in FPC paper	As stated in the statutory accounts	Variance
	£m	£m	£m
Staff Costs	173.4	184.0	10.6
Pension Adj.	71.5	82.1	10.6
Surplus (less associate)	75.4	75.4	-
Fixed Asset & Intangibles additions	43.8	43.8	-
Tuition Fees	115.5	115.5	-
Research Income	74.1	74.1	-
Depreciation Charge	19.5	19.5	-
Net Assets	274.5	273.7	-0.8
Pension Provision	31.2	27.8	-3.4
EBITDA	3.2	- 0.5	-3.7

	As disclosed in FPC paper	As stated in the statutory accounts	Variance
	%	%	%
Staff Costs as a % of Income	52.90%	56.11%	3.21%

We queried these differences with the finance team to ascertain if it was due to a timing difference (e.g. audit adjustments). The Head of Financial Accounting noted that there were audit adjustments that would have impacted this position such as the pension adjustment, however it is not clear that these were due purely to timing differences.

PAPER 2 – 2024/25 BUDGET

Paper 2 consisted of 12 documents from April 2024 to December 2024. These documents covered: UEG Special Meeting Papers, the 2024/25 budget papers, UEG away day, Q1 FY25 Management Accounts and P4 FY25 Management Accounts as well as other more minor papers and emails.

<u>Budget update 2024/25 (April 2024) (one paper)</u>

This paper provided an update to UEG in April 2024 on the status of the budget and to agree assumptions for several budget items. The 2024/25 budget process was extended to allow for time for modelling of student recruitment, student numbers and tuition fees.

The tuition fee budget for 2024/25 was reported as £79.6m, being £44.6m less than the budget for 2023/24. The paper included other modelled scenarios, all material reductions in income forecasts and it was reported that work was ongoing to identify opportunities to reduce costs by schools and directorates. This was reported to UEG on 3 April 2024 with a further adverse variance of £5.6m and additional work was proposed to reduce the variance.

Other assumptions were discussed following the 3 April UEG meeting:

- In the draft budget for schools and directorates, £4m variance was not approved and the spend was to be reversed from the budget.
- Some school savings were identified via staff cost savings, such as the School of Business saving £1.8m on vacancies and the School of Humanities, Social Sciences and Law saving £1.4m on staff reductions.
- Additional target savings in schools of £5.5m were required.
- Additional target savings in directorates of £4.6m were required.
- Further savings across all areas of £6m were required.

In total c£22m of savings were identified as to be achieved. It was noted that the targets should be deliverable with action required from budget holders. The savings did not assume significant organisational change activity or cessation of core activities. The paper noted that changes were to be made and the final full budget was to be presented to FRC on 21 May 2024.

The five-year projection was highlighted with a positive message of a position of financial sustainability in year three (2026/27).

There was little narrative regarding cash balances, other than to say that the cash availability had reduced, and the capital plan would reduce accordingly and be rephased over five to eight years.

<u>UEG Special Session (May 2024) (Two documents)</u>

It was made clear in this session that the schools and directorates were facing substantial budget cuts with a detailed breakdown to be provided before the UEG away day. The papers provided to UEG outlined a range of potential savings areas. These included: delay and reduction in CAPEX, maintaining higher levels of vacancies, voluntary redundancy, closure of non-core activities and reductions in scholarships. The contingency planning was undertaken in the wake of lower international student intake as it was clear from this point that the University faced a lower student intake.

<u>Budget 2024/25 and FPC Minutes (June 2024) (Two documents)</u>

The 2023/24 budget laid out the budget for 2024/25 and the financial plan to 2028/29. In our view, this lacked clarity in its layout and provided an optimistic outlook for the University. The previous budget cited that the University had a positive outlook which led to an increased level of operating expense spending in “investments”, staff and CAPEX. Despite the poor performance in 2023/24 and the significant deterioration of the cash position, the budget stated that:

> *"In financial terms, the University has continued to manage its position relatively well in 2023/24 despite the significant reduction in planned tuition fee income and is forecasting a very small operating surplus for the year.*

This is contrary to the facts known at this stage in the year (prior to the financial year end) and was not reflective of the year end position.

Growth was forecast as being low with the continued decline in overseas students (25% adverse). Several changes were forecasted versus original spending plans including:

- CAPEX spending cut by £70m
- Reduction in SFC funding by 3%
- Reducing staff costs from 57% to 54% (as a % of turnover)

The plan incorporated an objective to draw down a private placement or other externally financed solution in 2026/27 of c£50m to support in working capital and investment.

The headline budgeted figures for 2024/25 were:

- Cash Flow: £7.7m outflow
- Surplus/(Deficit): £18.3m
- EBITDA for HE: £5.3m
- Net assets £288.9m
- Net tuition fee income: £90.8m
- CAPEX spend: £29.4m
- Staff costs £189.9m

The FPC minutes outlined that the budget models a modest recovery following a period of decline and noted that this will be dependent on the political landscape and overseas partnerships. The Committee commended the level of data presented and the increased transparency the budget had brought. The budget provided a greater depth and clarity that the management accounts presented throughout the year. However, there was no evidence of challenge from the FPC from the minutes reviewed.

Members were advised that the drawdown of funding from the Tay Cities project would have short term adverse impact on overall University cashflow but that these would be well managed. There is no evidence in the minutes of challenge to this position. Without a clear and credible plan to mitigate liquidity risks, the additional strain from the project could further compromise the University's financial position. Effective governance requires rigorous assessment of financial risks, and the absence of documented challenge suggests a lack of critical review of the University's ability to manage these pressures.

Members noted that delivering a surplus in the current year, given the operating environment, demonstrated the increased resilience of the University's financial position. The Court's statement that delivering a surplus demonstrates increased financial resilience is optimistic given the University's deteriorating cash position. We noted that the declining cash position indicated liquidity pressures and an inability to generate sufficient cash from operations to sustain activities.

<u>Budget update emails and deans & directors update (July 2024 & August 2024) (Four documents)</u>

- <u>*(Budget update for deans and directors July 2024):*</u>

This document revealed the severe financial situation at the University, with a projected deficit of c£40m for 2024/25. The key driver was a 25% reduction in international student recruitment compared to 2023/24. Tuition fee income was forecast to decrease by £13.9m in 2024/25 (from £113.9m to £100.1m), with the cumulative reduction reaching £35.8m by 2028/29. The document included detailed savings targets for each school, with Life Sciences requiring the largest savings (£3.09m in 2024/25, rising to £5.85m by 2028/29), followed by the Business School (£2.66m in 2024/25, increasing to £3.36m by 2028/29).

- *(Budget Update Email from COO July 2024):*

This communication from the Chief Operating Officer acknowledged significant sector changes affecting budget assumptions since March 2024. It specifically mentioned the 25% reduction in international open recruitment for year one and flat projections for year two, leading to the £40m projected deficit. The email emphasised that all schools and directorates must deliver additional savings over the next five years and stated support was available from Finance colleagues in developing implementation plans. This represents the initial formal communication of the significant challenge to directorate leaders.

- *(Email from Provost/COO/Director Finance August 2024):*

This follow-up communication from senior leadership (Jim McGeorge, Shane O'Neill, and Peter Fotheringham) served as a formal distribution of the detailed budget update documents following discussions at Deans Group/Directors Meetings in July. The email confirmed that the matter was discussed at the University Management Group (UMG) that week.

- *(Directorate Savings Targets August 2024):*

The document outlined specific savings requirements across various university directorates. Digital Technology Services faced the largest target at £3.8m for 2024/25. Other significant targets include Estates & Campus Services (£767K), External Relations (£364K), and Student Services (£863K). The savings were broken down into staff and non-staff categories, with most directorates required to make substantial staff cost reductions.

UEG away day (September 2024)

The away day PowerPoint outlined that the University experienced a significant financial deterioration following an unexpected downturn in student recruitment, marking a reversal from its previous growth trajectory. During the period 2019/20 to 2022/23, the University had grown income faster than its cost base (29% versus 24%), transitioning from recurring annual deficits to achieving modest operating surpluses. Projections indicated a severe decline in income, exceeding £210 million across five years, presenting an unprecedented financial challenge.

The financial outlook for 2024/25 presented a base operating deficit of £11.2 million, with additional negative variances potentially increasing this deficit to £21.3 million without intervention. Key contributing factors included an £8.8 million shortfall in tuition fees, £2.0 million loss from student residence overcapacity and £1.3 million Scottish Funding Council clawback due to under-recruitment. The University was operating with 754 students below budgeted numbers, significantly impacting revenue projections.

In response to these challenges, the University planned to implement cost-reduction measures, reducing planned expenditure by c£140 million over five years. This reduction failed to fully offset the £210 million income decline, resulting in deficits and lower-than-planned surpluses in the medium to long term. This imbalance severely impacted capital investment capability, creating a £70 million shortfall in infrastructure funding that could not be addressed through alternative means.

Directorate savings targets showed mixed progress, with a total target of £7.63 million, of which £6.05 million had been identified, leaving an outstanding gap of £1.58 million. Digital Technology Services represented the largest shortfall at £1.48 million. The central betterment programme made significant progress in identifying savings, although some might not be recurring in future years. Various initiatives including flexible retirement, pay award variances and NHS Tayside accrual releases were identified as potential sources of savings.

The severity of the financial situation necessitated immediate strategic action, including a review of all strategic investments, implementation of additional cost control measures and potential restructuring of operations. Capital projects were restricted to essential works only and service delivery models were under comprehensive review. The University's scope to maintain its infrastructure and strategic development plans was severely constrained, requiring careful prioritisation of available resources and a focused approach to financial recovery.

While the documentation provided net operating cashflow percentages (ranging from 2% to 9% across the five-year plan), it lacked detail regarding current cash reserves and liquidity position. The only cash-related metrics presented were forward-looking projections within the five-year plan, showing net operating cashflow increasing from £8.4m in 2024/25 to £36.7m by 2028/29. However, there was no indication of current cash balances, working capital requirements or day-to-day liquidity management strategies. This omission is inappropriate given the projected operating deficit of £21.3m and the significant reduction in student numbers.

While the documentation acknowledged a "central betterment program" targeting £6.0m savings, with £5.95m identified through various initiatives, it lacked comprehensive risk assessment and contingency planning information. There was no stress testing of the financial projections or sensitivity analysis showing the impact of further deterioration in student numbers. The absence of detailed treasury management information, including investment strategies and risk mitigation measures, represented a significant gap in the reporting. Furthermore, while capital spending restrictions were mentioned, there was no clear articulation of the prioritisation framework for essential versus non-essential capital expenditure, particularly in light of the emerging RAAC issues on campus.

A comprehensive financial position statement incorporating these elements would be essential for effective governance oversight, particularly given the severity of the current financial challenges and the scale of the projected deficit.

Paper for UEG (October 2024)

The University identified several key areas for operational savings and workforce management initiatives. Within the directorates, a savings gap of £1.57 million remained to be identified, with Digital Technology Services bearing primary responsibility for achieving the reductions. Additional central savings requirements of £1 million were identified, which were planned to be achieved through a reduction in scholarship provisions. A flexible retirement scheme was implemented, projected to deliver recurring savings of £0.5 million. Strategic workforce initiatives included:

- Performance-based staff restructuring at senior levels (Grades 9 and 10), targeting £2 million per annum in savings. Initial year target of £1 million, with provision made for associated implementation costs of 50%.
- Implementation of stringent vacancy control measures, limiting new appointments to essential operational or strategic positions only.
- Planned workforce restructuring programme scheduled for implementation in 2025/26.
- Modelling of student intake and tuition fee variances.

Q1 management accounts FY25 (November 2024)

The cash position was £34.4m against a budget of £46.4m. The forecast included net tuition fee income of £69.7m, £11.8m behind budget and £22.6m below the previous year. The School of Business showed the largest year-on-year reduction in fee income at 55%. The report highlighted that of the £18.5m savings allocated to Schools and Directorates, only £9.9m had been identified as permanent savings and £3.0m as in-year savings, leaving £5.5m (30%) still to be identified. Research net overhead contribution was forecast at £16.1m, slightly above budget. The report also noted concerns about covenant breaches and the need for urgent financial recovery measures.

In our view, the quality of the reporting in this document improved compared to the management accounts presented throughout FY24. They went into greater depth whilst also improving the understandability of reporting.

It reported on cash, covenant position and available finance facilities effectively and included appendices to aid the user's understanding.

<u>P4 management accounts FY25 (December 2024)</u>

The University's financial position had significantly deteriorated, with a forecast operating deficit of £31.2m (excluding Tay Cities income). The cash position was lower at £41.3m, which was £8.9m below budget, with a concerning year-end forecast of only £2.6m. Two banking covenants were forecast to be breached in 2024/25; gross borrowing to EBITDA and net operating cashflow to finance service costs.

Net tuition fee income was forecast at £71.7m, representing a substantial shortfall of £9.8m against budget and £20.7m below the previous year. The most significant drop was in international taught postgraduate activity, showing a £10.5m reduction.

The report indicated urgent need for cost reduction and financial recovery measures, with particular concerns around research cash deterioration (working capital movements) and the delivery of savings targets. Schools and directorates were showing mixed performance in achieving their savings targets, with some areas significantly behind. The progression between these reports showed a worsening financial position, particularly in cash management and the achievement of savings targets, indicating an increasingly critical financial situation requiring immediate intervention.

SCOPE 2: CASH MANAGEMENT

Review the University's assessment of the main movements in cash over the past four years. In particular, this will cover capital investment, movements in working capital and the main operating investments.

INTRODUCTION

The University's assessment is captured in the documents set out in Appendix 1. We have reviewed the finance team's cash flow workings, tracing to financial statements and draft where appropriate, and outlined the key drivers of the cash movements. We note that capital expenditure continued to be incurred during a period of operating deficits, giving rise to the falling cash balances. There was also a high level of unbudgeted operating expenses throughout the period under review.

We provide a sector analysis of a sample of four other institutions of comparative size operating in the sector to contextualise the movements of cash in reference to what can be observed in the wider sector.

A summary of the cash balances summarised at each year end from 31 July 2021, 2022, 2023 and 2024 below:

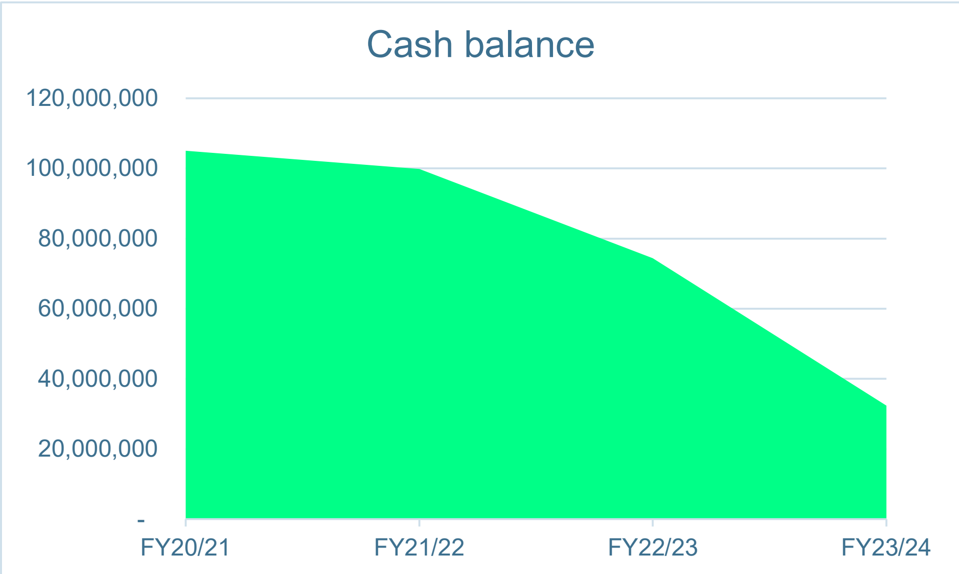

Figure 3: Cash Balance from FY2020/21 – FY2023/24

Below is a table of the key cash movements for each financial year, noting the budgeted cash balance for each year.

	Year ended 31 July 2021	Year ended 31 July 2022	Year ended 31 July 2023	Year ended 31 July 2024
	£000	**£000**	**£000**	**£000**
Cash at start of the year	27,869	105,109	99,873	74,432
Cash movements:				
Investing activities:				
Fixed assets acquired and grant receipts	-7,523	-14,286	-18,410	-25,139
Non current asset investments and income	41,157	-1,266	2,265	1,338
Intangible assets	-2,153	-2,185	-942	-417
	31,481	-17,737	-17,087	-24,218
Operating activities	30,330	13,350	-7,602	-17,116
	Note 1	*Note 2*	*Note 3*	*Note 4*
Financing activities:				
New unsecured loan	15,900			
New endowment	620	625	671	610
Finance lease	-388			
Repayments and interest	-703	-1,474	-1,423	-1,317
	15,429	-849	-752	-707
Cash at end of the year	105,109	99,873	74,432	32,391

NOTES:	**£m**	**£m**	**£m**	**£m**
	Note 1	*Note 2*	*Note 3*	*Note 4*
Cash flow of operating activities:				
Income				
SFC	87	75	60	73
Tuition and education	74	96	117	116
Research	74	72	79	71
Other income	31	34	37	42
Donations	4	2	4	3
	270	279	297	305
Expenditure	-162	-169	-180	-192
Staff costs				
Other operating expenses:				
- Academic dept	-11	-14	-19	-18
- Academic Services	-10	-11	-12	-14
-Research grants	-21	-24	-25	-23
-Admin	-11	-22	-40	-42
-Premises	-12	-13	-15	-16
-Other operating expenses	-4	-3	-3	-4
-Catering	-9	-10	-10	-13
	-240	-266	-304	-322
Operating cash outflow	30	13	-7	-17

Figure 4: Cash Flow Analysis (prepared by AAB)

We have obtained further breakdowns of the key cash movements via analysis below and split our work into three main sections investing activities, operating activities, financing activities.

INVESTING ACTIVITIES

A key factor included in the University's cash flow assessment was capital expenditure (CAPEX) spend on both tangible and intangible fixed assets. After accounting for capital grants received in cash, the net outflow for CAPEX totalled £65m over the period 2020/21 to 2023/24.

The most significant CAPEX spend in Land and Buildings came from the Tay Cities deal, Matthew Building, Fulton Building and the Tower Building. Other CAPEX spend was on equipment which has been analysed separately below.

The land and buildings projects that accounted for over two thirds of the spend over the five-year period are illustrated below in Figure 5.

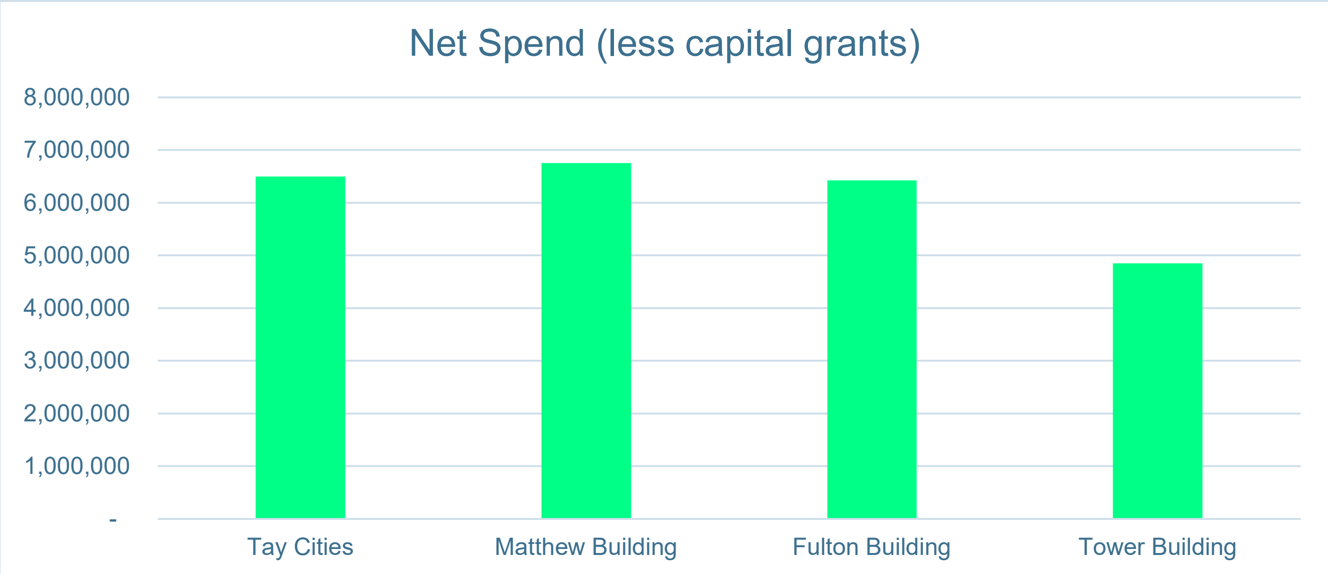

Figure 5: Net CAPEX Spend on L&B (less capital grants)

The profile of this spend over the period under review varied. There was consistent year-on-year spend for the Fulton Building & Matthew Building. The Tower Building had a higher weighting of spend in 2023 & 2024, this will have had an impact on the cost as it was incurred in a period where building costs were high (see Figures 6 – 8). The Tay Cities deal has more of a complex picture due to the capital grant receipts received for the project (see Figure 9). The Tay Cities deal incurred a large value of Gross Spend (c£32.5m) in the period under review. Most of this was covered by capital grants through the deal.

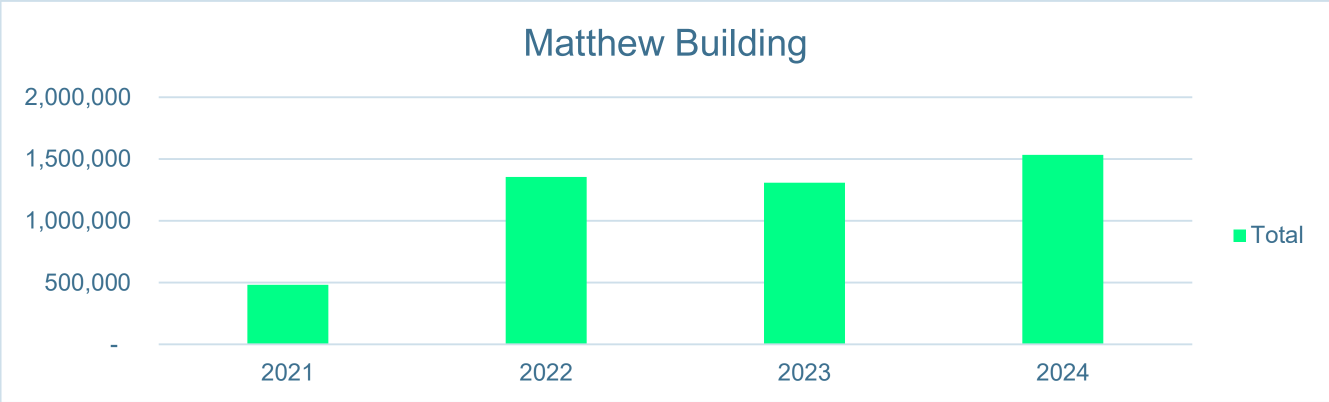

Figure 6: Matthew building spend

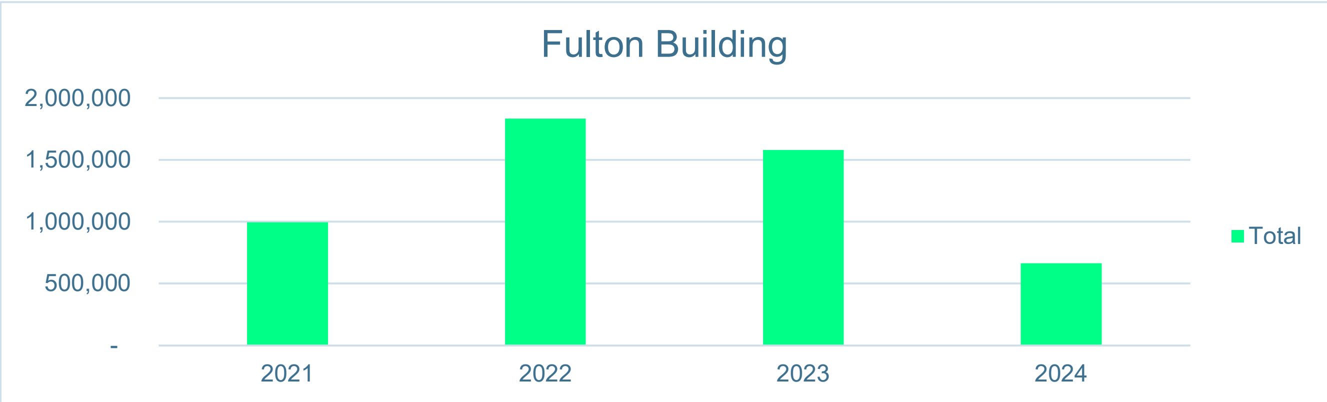

Figure 7: Fulton building spend

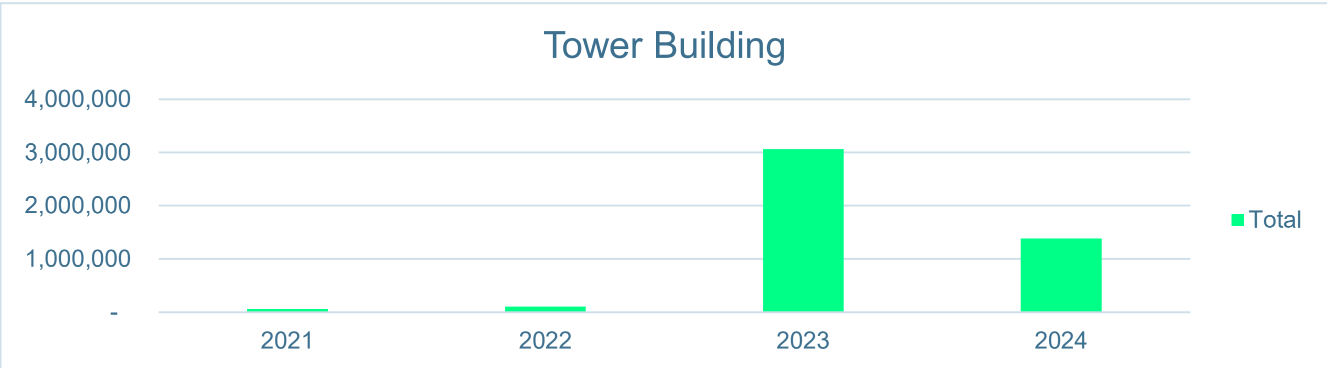

Figure 8: Tower building spend

Figure 9 illustrates the profile of cash receipts against the expenses incurred in the Tay Cities project. The spend was largely in line with cash receipts until 2024, where a gap formed, and c£7.2m of the expenses incurred were not covered by capital grant cash receipts. This will have had an impact on the overall cash position of the University.

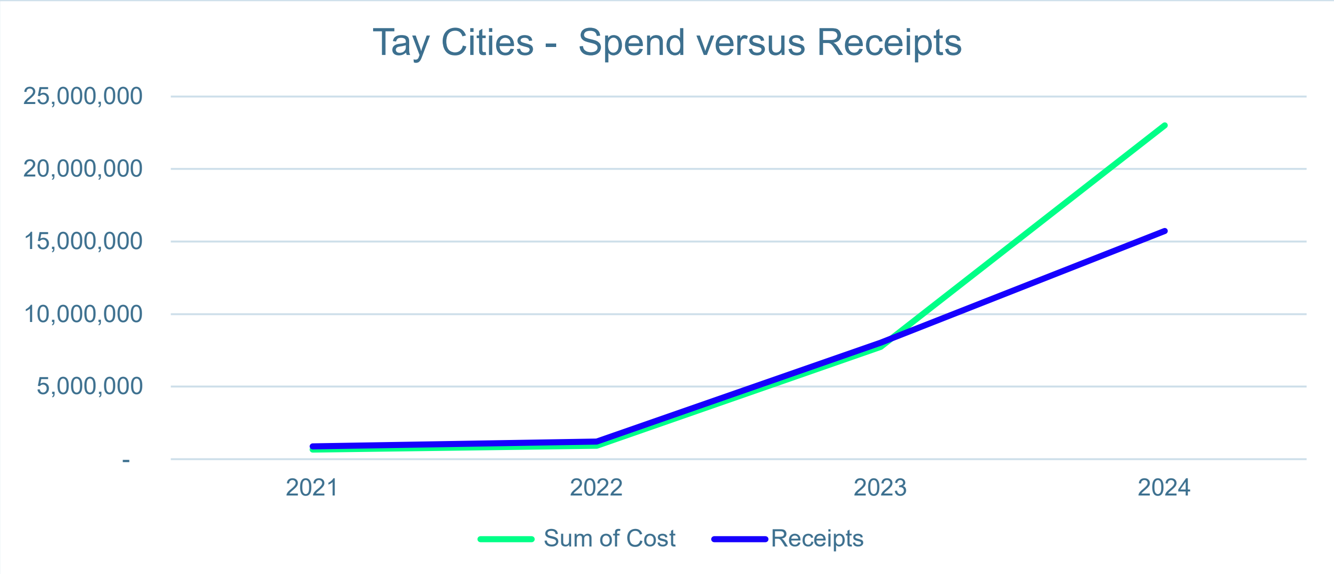

Figure 9: Tay Cities Spend versus cash receipts

Equipment spend data was supplied with categorisation by School. Using this data, we have summarised the profile of spend over the period under review and outlined the % share that each School had incurred. As expected, given the research-intensive nature of the University, the School of Life Sciences was one of the highest % of spend (see Figure 10). An increase was also experienced year on year with the Digital and Technology services which is reflective of the investment made in digital infrastructure as part of the University's strategic vision. Another key area to highlight is the spike in the "Other" category in 2022, this is primarily driven by the c£1.9m investment in the Hybrid Teaching Space which were implemented as a result of COVID lockdowns.

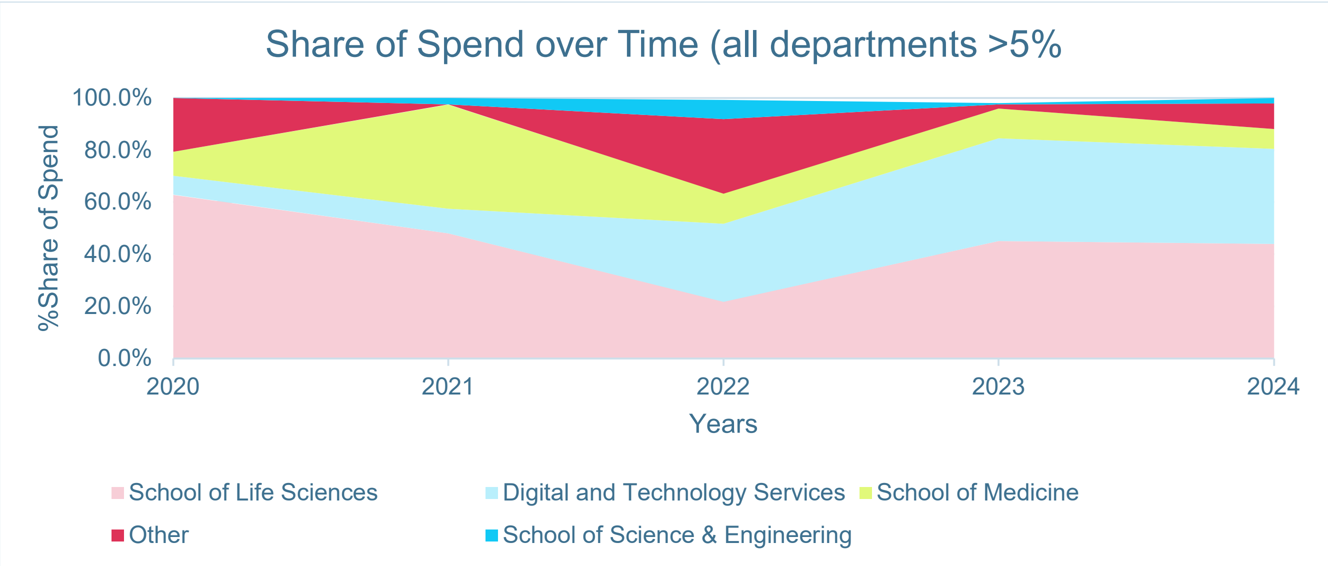

Figure 10: Department % Share of Total Equipment CAPEX Spend

The largest 10 items in term of value are noted in Figure 11, these totalled c£14.7m and 42% of the overall spend on equipment CAPEX. We have not ascertained what % of the spend on these were covered by Capital Grants. It is worth noting that 58% of the items below were in year ended 2023 & 2024, this is against a backdrop of 30% of the overall spend across the period under review being in year ended 2024. This demonstrates a significant uptick in equipment spend which will have impacted the cash position of the University.

Item	Cost
UoDDTS 119129 Net & Connect Management	3,907,240.66
HiRes LCMS systems	2,049,999.48
Hybrid Teaching Space Prototype	1,984,113.53
MR guided Focused Ultrasound Exablate sy	1,375,000.00
Orbitrap Ascend with ETD/PTCR/HMRn	1,250,013.05
Dell EMC VxRail P570F Replication	965,040.02
120317 Siemens ARTIS Icono Ceiling IR	860,500.00
UoDDTS 120154 Campus Learning 23-24 Main	826,120.49
Orbitrap Eclipse with UVPD Part 1	814,500.05
UoDDTS 120157 HPC Carbon Reduction	751,598.26

Figure 11: Top 10 Equipment Spend

When we overlay this spend against the operating activities from 2022/23 to 2023/24 there was a significant overspend in investment given the level of operating contribution being generated. As was noted in the papers reviewed for Scope 1 this is in large part due to disappointing international recruitment however, cuts were not effectively implemented in FY2023/24 to counteract this.

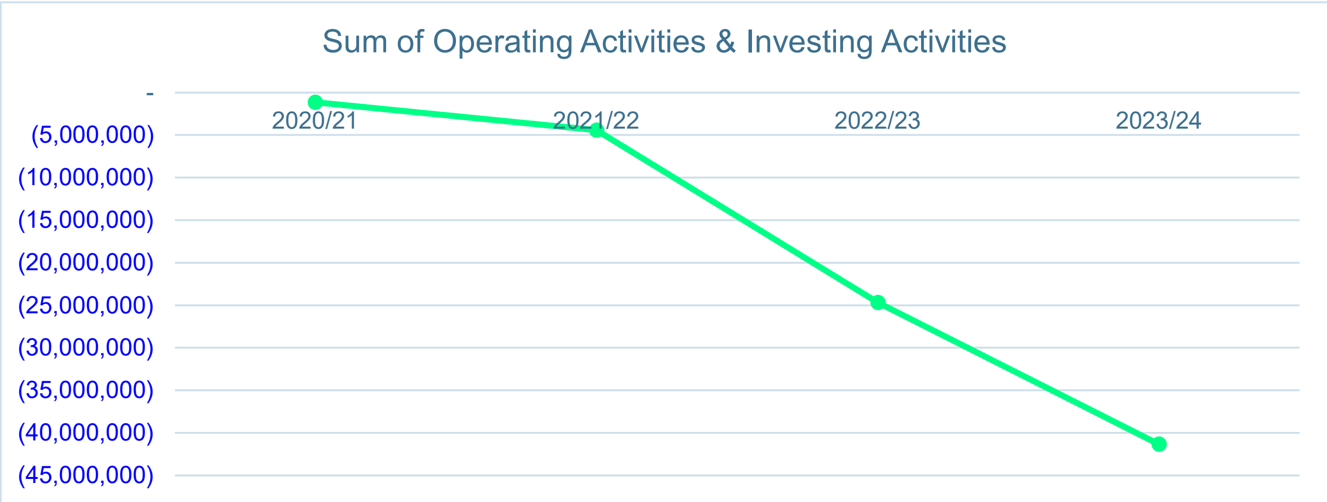

Figure 12: Sum of operating activities and investing activities

Since the University elected to continue significant capital expenditure during a period of difficult operational struggles, it stretched its liquidity which had a pronounced impact on cash balances. Additionally, the lack of a debt drawdown to ease this period of cash outflow has contributed to the depleted cash balance.

While there are institution-specific factors that may not be fully captured through a broader sector analysis, the following information provides context for capital expenditure (CAPEX) within the sector. As illustrated in Figure 13, the University's CAPEX has increased annually, diverging from the overall sector trend. As institutions adapted to the post-pandemic environment, CAPEX began to recover. Investment priorities included estate upgrades to accommodate hybrid learning, equipment upgrades, and student experience enhancements. However, recovery was uneven, with some institutions prioritising debt reduction over new projects. While many universities reduced their spending on account for investment in early periods, the University pursued increased investment, particularly in response to government-backed regional development initiatives (e.g., the Tay Cities Deal).

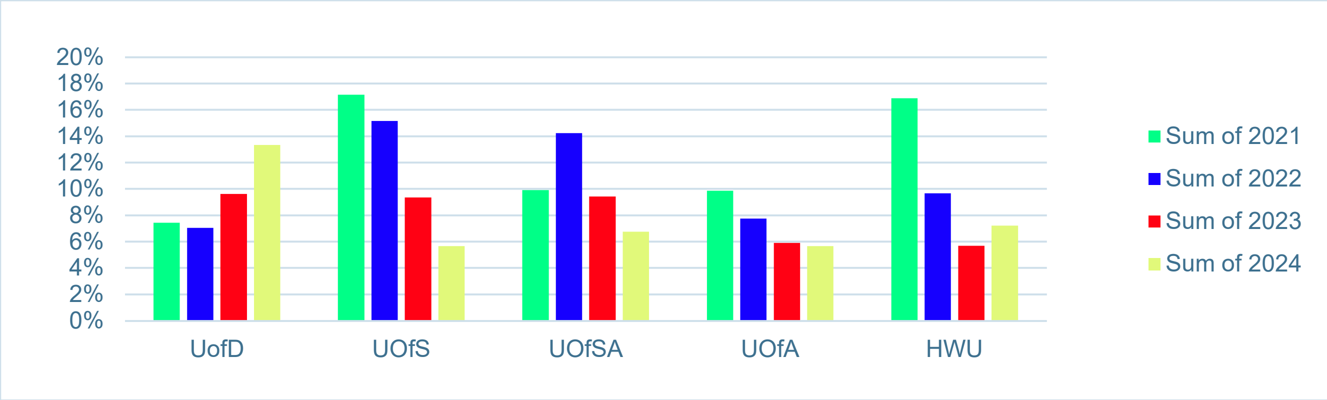

Figure 13: CAPEX Spend as a % of Income (TFA & IFA)

OPERATING ACTIVITIES

The operating cash outflow suggests that the University's core operations were not generating sufficient cash to cover expenses. This significant decline in the inflow from operating activities to a deficit was not matched with a corresponding decrease in investing activities as the investing activities have consistently increase from c-£8.8m in 2020/21 (excluding proceeds from the sale of investments as this was a one off), to c-£17m in 2021/22 & 2022/23, up to c-£24.2m in 2023/24.

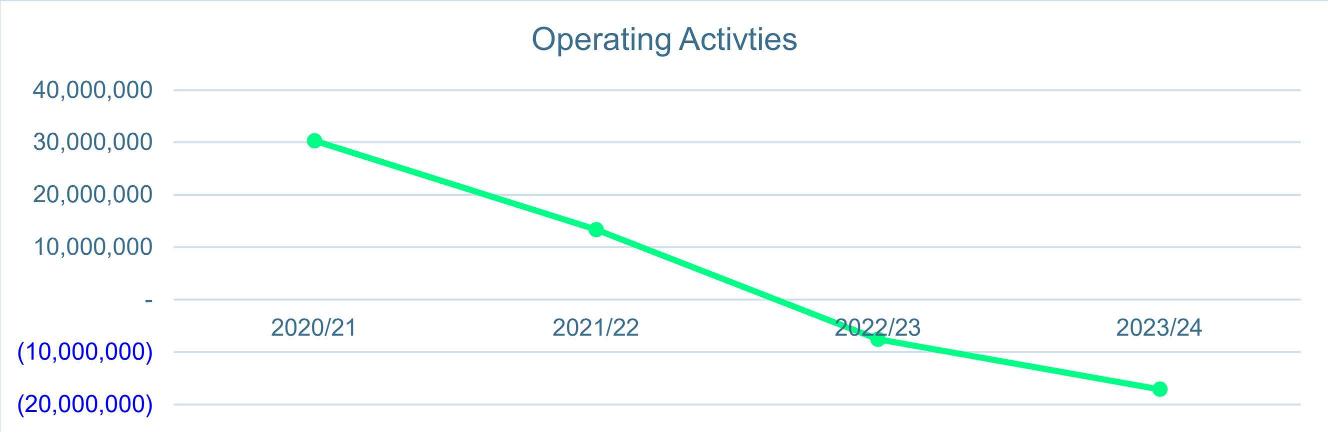

Figure 14: Operating activities surplus / (deficit) year on year

There were two main operating expense (OPEX) costs that attributed to the outflow of cash as identified by the University's Head of Financial Accounting:

- Additional non-consolidated payments to staff
- Unbudgeted operating investments (unbudgeted OPEX)

<u>Additional non-consolidated payments</u>

The additional non-consolidated payments made to staff amounted to approximately £3.12m, primarily affecting the financial years 2022 and 2023. However, the cash balance in 2023 remained largely in line with the budget, with a variance of approximately £1 million. As a result, these payments have not been a significant contributing factor to the deterioration of the cash balance. Furthermore, a sector-wide comparison indicates that such payments were common during this period, and therefore, they do not represent a divergent institutional decision.

<u>Unbudgeted operating investments</u>

Unbudgeted OPEX totalled £5.8m in the year ended 2023, and £9.9m in the year ended 2024. We have analysed this by School / Directorate in order to analyse where the spend originated. In 2022/23, the top five School & Directorates covered 72% of the total spend (see Figure 15).

	2023	%
Estates and Campus Services	1,616	28%
School of Medicine	946	16%
School of Business	780	13%
School of Art and Design	433	7%
School of Life Sciences	394	7%

Figure 15: Top 5 Schools / Directorates Unbudgeted OPEX 2023

The unbudgeted OPEX from estates and campus services came primarily from Heat, Light, and Power, and was due to the increases in electricity and gas costs felt across the economy over that period. Therefore, this is not a unique cost to the University. The costs from the School of Medicine, Business, and Life Sciences were primarily staff related through a mix of additional hires and pay increases for existing staff members. The School of Art and Design saw costs increasing due to increased material costs and targets not being met for staff efficiencies.

Unbudgeted OPEX for 2024 was analysed by the same method and it was found that the top 5 Schools & Directorates covered 57% of the total spend (see Figure 16), which is down 14% on the previous year. It also saw a shift in the make-up of the list with only two Schools staying in the top 5.

The spend for People was primarily made up for additional hires and promotions (£862k), EDI Projects (£278k), and HR Interim solutions (£523k). The School of Medicine spend was consistent with the prior year and included additional hires and pay increases. The consistency here shows that the budget for 2023/24 was not appropriately updated to reflect the known changes to these areas. The Student Services spend was made of additional hires (£531k), Investing in the experience of future students (£345k), and the removal of the graduation fee (£195k). The School of Life Sciences £395k of spend was consistent with the prior year and not appropriately built into the budget. There were funds spent on a principal investigator (£62k), and amounts spend on increasing the number of PIs within the school (£428k). Finally, the University Executive office had a large increase in spend (over >1059% on prior year). This was almost entirely made up of additional hires mostly in relation to the Strategic Change and Delivery Business case.

	2024
People	1,663
School of Medicine	1,101
Student Services	1,071
University Executive Strategic Office	923
School of Life Sciences	885

Figure 16: Top 5 Schools / Directorates Unbudgeted OPEX 2024

Overall, approximately c£6.9m of the £9.9m OPEX overspend was in relation to additional hires and increases to existing hires

Working capital movements

Between July 2021 and July 2024, adverse working capital movements in research funding, specifically, a reduction in upfront income receipts, had a material impact on cash balances. Historically, research funding may have been received in advance. A shift towards receiving fewer cash receipts upfront means that the University relies more on retrospective reimbursements and/or milestone-based payments. With less cash received upfront, the organisation must cover research costs (e.g., salaries, equipment, overheads) before receiving reimbursement. This results in an increased need for internal funding or external financing to bridge the gap. A growing gap between expenditure and cash receipts has created a strain on cash reserves (see Figure 17 below).

	Grant income	Accrued income	Deferred income	Cash receipts	Variance vs 2021
2024	74,116,000	20,991,000	30,443,000	66,907,000	-5,076,000
2023	78,916,000	13,522,000	30,183,000	72,992,000	1,009,000
2022	71,786,000	10,604,000	33,189,000	71,302,000	-681,000
2021	74,355,000	12,322,000	35,391,000	71,983,000	-

Figure 17: Working Capital Movements

In 2024 the University saw a share decrease in cash receipts from research projects with a c£5m decrease from 2021. This impacted the liquidity of the University and led to there being less cash available to fund day-to-day operations or buffer against short-term financial pressures.

FINANCING ACTIVITIES

In reviewing the University's capital expenditure (CAPEX) profile in relation to the use of debt, it is evident that the University has made comparatively limited use of debt facilities for funding its CAPEX investments compared to the wider sector (see Figure 18). As a result, the increased capital expenditure in 2022/23 and 2023/24 had a corresponding impact on the University's cash position.

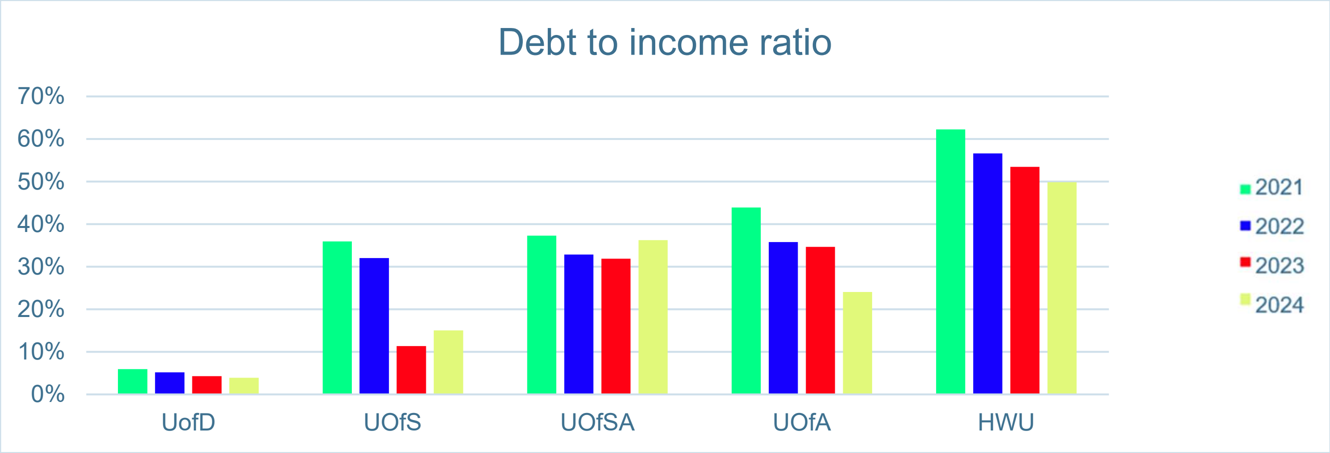

Figure 18: Debt to Income ratio

The University's operating cash position has worsened each year has continued to heavily invest without taking out financing therefore the University has significantly depleted its cash reserves.

SCOPE 3: PROCUREMENT BREACHES

Review three breaches of Procurement Regulations (Public Contract (Scotland) Regulations 2015 and Procurement (Scotland) Regulations 2016) to ascertain if there should be an investigation into potential fraud.

INTRODUCTION

Three breaches have been highlighted by the Head of Procurement for analysis as part of Scope 3. These contracts are broken down below:

Supplier Name	Spend	Comments from Head of Procurement	Year
EAB Global	c£189k Cumulative over 3 years	Contract for strategic consultancy requested by the University Secretary which was an add-on to an agreement placed by the Director of Estates and Campus Services. Contract awarded against procurement's recommendation following an instruction from the University Secretary.	2024
Streamtec	c£1.07m	Award of a high-value contract for hybrid teaching equipment by the Director of IT using a contract where the total published value had already been exceeded by £1.85m. No involvement of central Procurement Team prior to decisions being made.	2021
CTC Roleplay	c£283k Cumulative over 4 years	Supplier mainly used by School of Medicine to provide patient role-play exercises for students. No compliant contract despite cumulative spend being over the GPA (formerly OJEU) threshold of £179k	2019 to 2024

SUMMARY OF LEGISLATION

Public Contracts (Scotland) Regulations 2015

This legislation implements the EU Public Procurement Directive into Scots Law and applies to contracts exceeding certain financial thresholds (£214,904 inc. VAT in 2024). Requires an open and transparent procurement process and all tenders must be fairly evaluated based on set criteria. Contracts exceeding thresholds must be advertised on **Public Contracts Scotland (PCS)** and the **Find a Tender Service (FTS)** (previously OJEU).

Procurement (Scotland) Regulations 2016

This regulation complements the 2015 rules and applies to contracts **below EU thresholds but above** lower national thresholds (£50,000 for goods/services, £2 million for works). Public contracts must consider environmental, social, and economic benefits. The legislation also encourages procurement that supports local communities and sustainable practices.

ASSESSMENT OF BREACHES

EAB Global – Strategic Consultancy

This case breached the Public Contracts (Scotland) Regulations 2015 when total spending exceeded the GPA threshold without the contract being put out to tender. We understand through emails provided that at least one member of the UEG wished to utilise EAB to support the University in its strategic objectives. We understand that the University Secretary and Chief Operating Officer (USCOO) wished to proceed with this option partly on the basis that onboarding by the end of March would lead to a £15,000 discount.

When the matter was raised with the Head of Procurement (HoP) by the Office Manager & Senior Executive Assistant, the initial response was that an appropriate course of action would be to add the requirement to an existing Non-Competitive Action (NCA) with the supplier that had previously been requested by the Director of Estates and Campus Services and subsequently approved by the Assistant Director of Estates and Campus Services. This was on the assumption that the requirement was the same and no other risks were raised. It was noted that a Contract Award Notice would have to be published on the Public Contracts Scotland website. The Office Manager and Senior Executive Assistant confirmed that both the USCOO and the Director of the University Executive and Strategy Office (DUESO) wished to amend the original NCA. The HoP shared the NCA form for amendment and recommended that the Office Manager and Senior Executive Assistant perform checks to ensure that EAB was the only supplier that could perform this service and that use of a NCA was appropriate.

The Office Manager and Senior Executive Assistant returned the NCA without this check and confirmed they wanted to press ahead (the DUESO was copied on the email). The HoP advised strongly that this would be a breach of procurement regulations. Assuming the direct award was being driven by members of the UEG, the HoP requested that the UEG reconsider and obtain evidence to ascertain if there were other potential suppliers.

The HoP subsequently received an email direct from the USCOO, stating they wished to proceed with awarding the contract without further delay. The HoP reported that there had been a breach of regulations to the Director of Legal and the Deputy Director of Finance (who subsequently informed the Director of Finance).

***Conclusion**: The HoP highlighted the potential breach on a timely basis. This fact was reiterated as a potential issue with clear explanations of the implications. The UEG decided to proceed with the decision.*

Implication and potential follow-up:

From the information available for our assessment there is no clear indication that a fraud has occurred. To gain further clarity we include some potential follow-up points that the University could investigate.

- *Was there any connection between a member of the UEG and EAB?*
- *Was the breach reported by the UEG to the Audit and Risk Committee at the time of the breach and the decision documented?*
- *Are there any other suppliers who could perform the services rendered by EAB?*

Streamtec – AV equipment

This case breached the Public Contracts (Scotland) Regulations 2015 when total spending exceeded the GPA threshold without putting out the contract to tender in 2019. The IT Department ordered equipment from Streamtec under a contract that was for a maximum set as £150k p.a. but had instead spent c£973k in 2017/18. This was highlighted through an additional Purchase Order (PO) being raised in 2021 for c£1.07m for hybrid teaching equipment. There was no involvement with the procurement team prior to this decision being made.

When the HoP was notified, he pointed out the spend was outside the initial contract and of a high value and therefore should go out to retender according to the requirements. After speaking with the IT and legal team, it was clear that the only commercial option to avoid significant delay in the AV equipment installation was to continue to breach the regulations by issuing the PO under the original contract. After the PO was processed, Procurement terminated the contract due to the high overall spend of c£3.38m under a £450k contract.

Conclusion*: The HoP highlighted the potential breach as soon as the information was provided. The spend in 2019 was missed at the time.*

Implication and potential follow-up:

From the information available for our assessment there are no indications that a fraud has occurred. Given the nature of this breach it is likely that it occurred due to a breakdown in communication from the IT Department with the procurement team.

- *Reaffirm that the IT Department are required to comply with the University's procurement policies are and hold individuals to account if they are not following the policies in place.*

CTC Roleplay – Patient roleplay exercises

This case breached the Procurement (Scotland) Regulations 2016 in 2022 when spend exceeded £50,000, this should have triggered a regulated procurement under the Scottish Regulations, requiring formal competition. The Public Contracts (Scotland) Regulations 2015 were breached in 2023 with total aggregate spend since 2019 reaching £219,338 (net), exceeding the GPA threshold of £177,897 (net). This should have gone through a full tendering process following GPA rules (e.g., advertising in Find a Tender (FTS) and Public Contracts Scotland).

This related to 272 POs raised over a five-year period. Individually the POs raised were below authorisation thresholds that would lead to Procurement being involved with the process, so it occurred unnoticed. Use of the supplier also increased with a year-on-year increase from 2019 to 2024 of 34% p.a.

***Conclusion**: The procurement team correctly highlighted the breach. This was picked up retrospectively and there was no active control in place to detect the possibility of a breach.*

***Implication and potential follow-up:** From the information available for our assessment there are no clear indications that a fraud has occurred. To gain further clarity we include some potential follow-up points that the University could investigate.*

- *Was there genuine increased demand for this service year-on-year, i.e. had headcount on the course increased? Did the nature of the course change requiring this service more often?*
- *Was there any connection between those ordering the service and the parties who were delivering it?*

CONTROL RECOMMENDATIONS

- We recommend that the University explores options for the system to notify staff members that raise a PO that will bring the supplier close to a breach of the regulations, on a PO level basis and on a cumulative basis.

- We recommend that supplier turnover reports are monitored on a quarterly basis to highlight suppliers that are reaching the thresholds outlined by the regulations. The findings of this should be communicated to the UEG and Audit and Risk Committee on a regular basis.

- Consider performing “cold reviews” of procurement contracts on an ad hoc basis ensuring that the spend incurred and projected is within the parameters of the contract. The findings of this should be communicated to the UEG & Audit and Risk Committee on a regular basis.

- Review the documentation retained for decision-making surrounding procurement reviews and breaches and ensure they are in place and communicated to the UEG and Audit and Risk Committee on any breaches on a regular basis.

APPENDIX 1 – DOCUMENTATION PROVIDED TO AAB

Scope 1:

PAPER NUMBER 2_240522_Special UEG Session - Contingency Planning Action Note.docx	16.80 KB	Lizzi Nicoll 9 Mar 2025
PAPER NUMBER 2_UEG240522_Combined Papers.pdf	2.03 MB	Lizzi Nicoll 9 Mar 2025
PAPER NUMBER 2_CRT240610_Budget Presented to Court.pdf	691.39 KB	Lizzi Nicoll 9 Mar 2025
PAPER NUMBER 2_ FPC240521_Budget 2425.pdf	663.77 KB	Lizzi Nicoll 9 Mar 2025
PAPER NUMBER 1 _FPC241010_Paper_C_Financial Review of the Year.pdf	274.85 KB	Lizzi Nicoll 9 Mar 2025
PAPER NUMBER 2_Directorate savings targets_ with email COO 2July24.pdf	86.58 KB	Lizzi Nicoll 9 Mar 2025
PAPER NUMBER 2_Budget Update_Email from COO to Directors_2 July24.pdf	151.84 KB	Lizzi Nicoll 9 Mar 2025
PAPER NUMBER 2_ UEG AWAY DAY 26 SEP 24_S2 Finance Slides.pptx	517.06 KB	Lizzi Nicoll 9 Mar 2025
PAPER NUMBER 2_CRT240610_Paper_H_Finance Policy Committee.pdf	434.88 KB	Lizzi Nicoll 9 Mar 2025
PAPER NUMBER 1_ UEG241002_Paper_C3_FPC241010 Financial Review of the Year 23-24.pdf	865.23 KB	Lizzi Nicoll 9 Mar 2025
PAPER NUMBER 6_FPC241010_Paper_P_Management Accounts Period 12 to Finance and Policy.pdf	480.64 KB	Lizzi Nicoll 9 Mar 2025
PAPER NUMBER 6_Oct 24 - Management Accounts P12 v1.1_Presented to UEG.pdf	1.13 MB	Lizzi Nicoll 9 Mar 2025
PAPER NUMBER 4_Management Accounts P11 v1.0.docx	197.31 KB	Lizzi Nicoll 9 Mar 2025
PAPER NUMBER 6_Management Accounts P12 v1.1_Susan Young.docx	230.71 KB	Lizzi Nicoll 9 Mar 2025
PAPER NUMBER 3_UEG Period 2 Financial Update FINAL.docx	168.31 KB	Lizzi Nicoll 9 Mar 2025
PAPER NUMBER 5_I&E P5 v3 - adjustments allocated.xlsx	22.19 MB	Lizzi Nicoll 9 Mar 2025
PAPER NUMBER 5_UEG P5 Management Accounts v1.0.docx	212.56 KB	Lizzi Nicoll 9 Mar 2025
PAPER NUMBER 5_UEG P6 Management Accounts v1.0.docx	204.97 KB	Lizzi Nicoll 9 Mar 2025
PAPER NUMBER 5_May 24 - P8 Management Accounts & FY24 Reforecast.pdf	855.13 KB	Lizzi Nicoll 9 Mar 2025

PAPER NUMBER 2_Budget Update for Deans and Directors July 2024_Re Email.pdf	188.55 KB	Lizzi Nicoll 9 Mar 2025
Paper Number 2_Email from Provost_Coo_Dir Finnce_ re budget savings_15Aug24.pdf	280.97 KB	Lizzi Nicoll 9 Mar 2025
PAPER NUMBER2_ (circulated to UEG 17 December 2024) Management Accounts 2024-25 P4 for circulation.pdf	631.45 KB	Lizzi Nicoll 9 Mar 2025
PAPER NUMBER 2_(circulated to UEG 28 november 2024) Management Accounts 2024-25 P3 for circulation.pdf	531.90 KB	Lizzi Nicoll 9 Mar 2025
PAPER NUMBER2_ Paper for UEG 02 Oct 24.docx	19.57 KB	Lizzi Nicoll 9 Mar 2025
PAPER NUMBER 3_UEG231101_Paper_B1_2023-24V Reforecast Updates.pdf	756.87 KB	Lizzi Nicoll 9 Mar 2025
PAPER NUMBER 3_UEG Period 2 Financial Update.docx	167.49 KB	Lizzi Nicoll 9 Mar 2025
PAPER NUMBER 3_UEG Q1 Management Accounts v3.0 FINAL_Submitted.docx	181.40 KB	Lizzi Nicoll 9 Mar 2025
PAPER NUMBER 3_ DRAFT Prepapred by Susan Young_UEG Q1 Management Accounts v2.0 (1).docx	220.97 KB	Lizzi Nicoll 9 Mar 2025
PAPER NUMBER 5_March 24 - UEG P6 Management Accounts.pdf	219.33 KB	Lizzi Nicoll 9 Mar 2025
PAPER NUMBER 5_Feb 24 - P5 Management Accounts 2023-24.pdf	913.70 KB	Lizzi Nicoll 9 Mar 2025
PAPER NUMBER6_ Email and response from Principlas Office and Vp International_FW_ UEG Schedule of Business Items.pdf	195.67 KB	Lizzi Nicoll 9 Mar 2025
PAPERNUMBER 6_Email 23 Sep24 from VP International re_FW_ Last 4 Management Accounts.pdf	998.00 KB	Lizzi Nicoll 9 Mar 2025
PAPERNUMBER 6_Email 23 Sep24 from VP International re_FW_ Last 4 Management Accounts.pdf	998.00 KB	Lizzi Nicoll 9 Mar 2025

Scope 2:

Investment History.xlsx	66.58 KB	Susan Young 4 Mar 2025
Cash and Investments summary.xlsx	371.21 KB	Susan Young 4 Mar 2025
24823_Financial_Report_2023_24_8.0 annotated.pdf	1.02 MB	Susan Young 5 Mar 2025
USS staff costs adj.xlsx	23.80 KB	Susan Young 7 Mar 2025
Subsidiaries TFA.xlsx	10.62 KB	Susan Young 12 Mar 2025

Bank Statements request: ***containing a number of bank statements***

Scope 3:

EAB Estates EAB PO and Invoice 2023.pdf	321.62 KB	Allan Tough 4 Mar 2025
EAB Email from DoF 09 April 2024.pdf	385.68 KB	Allan Tough 4 Mar 2025
EAB Email from DoF Regarding Approval of EAB Requisition 27 March 2024.pdf	316.44 KB	Allan Tough 4 Mar 2025
EAB Email exchange with Deputy DoF 28 Mar 2024.pdf	380.61 KB	Allan Tough 4 Mar 2025
Summary Procurement Breaches Document 08 Jan 2025.docx	22.70 KB	Allan Tough 3 Mar 2025
Streamtec Email to Dir of IT regarding high-value order to Streamtec 21 June 2021.pdf	121.69 KB	Allan Tough 4 Mar 2025
Streamtec Email from Snr Solicitor in Legal regarding high-value order to Streamtec 18 June 2021.pdf	123.90 KB	Allan Tough 4 Mar 2025
Streamtec Attachment to email to Internal Audit informing of breach 28 June 2022.pdf	121.58 KB	Allan Tough 4 Mar 2025
EAB Sole Source Document Produced by EAB.pdf	82.72 KB	Allan Tough 4 Mar 2025
EAB Exec and Strategy EAB PO and Invoice 2024.pdf	226.38 KB	Allan Tough 4 Mar 2025
Streamtec Purchase Orders 2019 to 2024.xlsx	30.80 KB	Allan Tough 7 Mar 2025

EAB Email from University Secretary 26 March 2024.pdf	361.88 KB	Allan Tough 4 Mar 2025
EAB Email to Director of Legal 26 March 2024.pdf	200.92 KB	Allan Tough 4 Mar 2025
EAB Estates EAB PO and Invoice 2024.pdf	165.38 KB	Allan Tough 4 Mar 2025
EAB Email from Exec and Strategy Office Manager Confirming UEG want to proceed 27 Mar 2024.pdf	361.89 KB	Allan Tough 4 Mar 2025
EAB Estates EAB PO and Invoice 2022.pdf	153.60 KB	Allan Tough 4 Mar 2025
CTC Role Play POs.xlsx	23.17 KB	Allan Tough 4 Mar 2025
Streamtec Email to Dir of Legal regarding high-value order to Streamtec 21 June 2021.pdf	124.84 KB	Allan Tough 4 Mar 2025
Streamtec Email to Internal Audit informing of breach 28 June 2022.pdf	409.94 KB	Allan Tough 4 Mar 2025
UoD Annual Spend Excl Pcard 2023 to 2024.xlsx	446.48 KB	Allan Tough 9 Mar 2025
UoD Annual Spend Excl Pcard 2022 to 2023.xlsx	498.55 KB	Allan Tough 9 Mar 2025
UoD Annual Spend Excl Pcard 2021 to 2022.xlsx	435.29 KB	Allan Tough 9 Mar 2025
UoD Annual Spend Excl Pcard 2020 to 2021.xlsx	437.02 KB	Allan Tough 9 Mar 2025

APPENDIX 2 – SCOPE 1 DISCREPENCIES

PAPER 1: Per Finance Copy	Per UEG Copy
[Nothing]	And economic downturn
the critical period leading up to semester 1	core geographies
[Nothing]	A higher than budgeted
[Nothing]	reductions to non-staff related
[Nothing]	Our working target to deliver a break-even position was narrowly missed, however, as a result of declining performance later in the year.
the University's liquidity and underlying performance should support this in due course.	currently budgeted for the end of 2026/27. Continuing to protect the University's liquidity and underlying performance will support this in due course.
[Nothing]	(critically income growth of 0.7%)
[Nothing]	over a longer historic period
[Nothing]	As can be evidenced, in reviewing research income and awards on a fixed academic year period, the year on year comparison can be skewed by timing making trend analysis unhelpful.
The timing of award confirmation can skew these with some large awards not formally confirmed until August 2024	The timing of formal award confirmation has impacted on the 2023/24 outcome with some very large awards not formally confirmed until August 2024.

PAPER 2 : Per Finance Copy	Per UEG Copy
[Not included]	It should be noted that only the gross element of tuition fees are allocated to schools and savings in scholarships and student recruitment agent fees are recognized elsewhere.
Directorates total net costs for the year is £83.7m against a budget of £81.3m and a Period 11 forecast of £81.7m. Although this draft outturn is £2.1m adverse to forecast, the key movement is in Estates & Campus Services where the Period 11 forecast included a £2.1m improvement in forecast related to an anticipated resolution of a longstanding dispute with NHS over costs relating to the Ninewells campus. As discussions are ongoing we have taken a cautious approach for year-end and accrued all costs as invoiced.	The Directorates overall are £2.5m adverse against budget. Large adverse variances in Student Services (mainly student residences), Estates & Campus Services are as reported throughout the year and are partly offset by savings across External Relations and Globalisation. Despite significant attempts to resolve the long-standing dispute with NHS Tayside over costs related to estates recharges for Ninewells campus, the matter remains open and therefore we have taken a cautious approach for year-end and accrued all costs as invoiced. Whilst we remain very confident in our position and therefore that the cost we have recorded is higher than will be finally settled, there is no agreement in place that reflects this. Continued efforts are ongoing to progress the situation as a priority.
Centrally held budgets are £0.6m favourable against the Period 11 forecast, with the main variances being: - An increased credit of £0.8m against forecast for the accounting adjustments for the UoDSS pension scheme - A £0.4m adverse movement relating to equipment capitalisation as a result of lower spend than anticipated spend at the end of the year - A £0.9 adverse movement relating to a forecast for the release of longstanding accruals where the benefits has been released to Schools and Directorates - An £0.9m impairment for IT projects that have not progressed since last year end - £0.9m unrestricted donations relating to capital projects - Depreciation and amortisation £0.6m lower than forecast - A reduction of £0.3m against forecast for the holiday pay accrual	Centrally held budgets are significantly favourable to budget but these include central costs associated with tuition fee income, pensions adjustments and non-allocated budget (where the actual costs have been recorded against schools and directorates). Central budgets also include depreciation and amortization (including £0.9m impairment for IT projects that have not progressed since last year end)
The UoD shared of the DSV draft outturn is not yet available and will be adjusted for in the final accounts.	The UoD share of the DSV draft outturn is not yet available and will be adjusted for in the final accounts, it should be expected that this will marginally improve the overall position.
At the end of July the cash balance totalled £32.4m including previously ringfenced funds.	At the end of July the cash balance totalled £32.4m
This closing cash position was £35.5m adverse to budget. This variance was driven by the adverse operating position and significant adverse working capital movements, particularly on externally funded research activity.	This net movement in cash during the year was £14.6m adverse to budget, mainly as a result of the reduced EBITDA, but also due to an adverse position on working capital at the year end and partially offset by reduced investment in fixed assets. The position is adverse to forecast by £12.1m, largely due to adverse working capital position at the year end date. It should be noted that the majority of the working capital variance is a result of timing of invoicing and receipt of amounts related to research grant activity and we anticipate this to largely reverse into 2024/25 and are actively working to achieve this.
Comparatives at P11	Comparatives changed to P8
[Original Data]	Income and Expenditure by organisational unit, changed the layout of total schools and directorates to include fewer line items, this still reconciles to the original total figures produced by finance.

PAPER 2 : Per Finance Copy	Per UEG Copy
[Not included]	"Summary" section
The gross tuition fee income outturn shows total fees of £110.1m, £27.2m below budget and in line with the Period 11 forecast.	The gross tuition fee income outturn shows total fees of £110.1m, £24.4m below budget (after contingency) and £0.7m behind the Period 8 forecast
The fees forecast has remained relatively steady across the year, with some small movements across fee categories towards the end of the year.	[Deleted]
Net fees after deduction of core funded fee waivers total £92.3m, a £0.1m improvement against the Period 11 forecast.	Net fees after deduction of core funded fee waivers total £92.3m, a £0.7m decline against the Period 8 forecast
[Not included]	Whilst the majority of the adverse position of the fees forecast was well understood early in the year, the final outturn is £5.1m worse than the Q1 forecast at a gross level and £4.6m net. Adverse movements since Q1 include a lower outcome for semester 2, lower DL fees and lower RPG fee income.
The research overhead contribution for the year totals £14.3m, £0.9m lower than budget. This outturn represents a £1.5m improvement on the Period 11 forecast due to a key milestone being met in July on a large commercially funded research project.	The research overhead contribution for the year totals £14.3m, £0.9m lower than budget.
Total research income for the year totals £74.1m against a forecast of £77.7m at Period 11 and a budget of £77.0m.	Total research income for the year totals £74.1m against a budget of £77.0m.
The draft net contribution across all schools totals £102.7m, £25.9m adverse to budget and a reduction of £13.1m from 2022/23. This outurn is a £2.1m improvement against the Period 11 forecast, largely driven by the late improvement in research overhead contribution in Life Sciences and the release of a number of longstanding accruals (this was forecast centrally).	The draft net contribution across all schools totals £102.7m, £25.9m adverse to budget and a reduction of £13.1m from 2022/23.
Other variances to note include Medicine, £1.9m adverse to budget, with the majority of this variance relating to overspends against budget in net expenditure and under-deliver in other income	Other variances to note include Medicine, £1.9m adverse to budget, with the majority of this variance relating to higher than budgeted expenditure and under-delivery in research and other income.

PAPER 2 : Per Finance Copy	Per UEG Copy
[Not included]	It should be noted that only the gross element of tuition fees are allocated to schools and savings in scholarships and student recruitment agent fees are recognized elsewhere.
Directorates total net costs for the year is £83.7m against a budget of £81.3m and a Period 11 forecast of £81.7m. Although this draft outturn is £2.1m adverse to forecast, the key movement is in Estates & Campus Services where the Period 11 forecast included a £2.1m improvement in forecast related to an anticipated resolution of a longstanding dispute with NHS over costs relating to the Ninewells campus. As discussions are ongoing we have taken a cautious approach for year-end and accrued all costs as invoiced.	The Directorates overall are £2.5m adverse against budget. Large adverse variances in Student Services (mainly student residences), Estates & Campus Services are as reported throughout the year and are partly offset by savings across External Relations and Globalisation. Despite significant attempts to resolve the long-standing dispute with NHS Tayside over costs related to estates recharges for Ninewells campus, the matter remains open and therefore we have taken a cautious approach for year-end and accrued all costs as invoiced. Whilst we remain very confident in our position and therefore that the cost we have recorded is higher than will be finally settled, there is no agreement in place that reflects this. Continued efforts are ongoing to progress the situation as a priority.
Centrally held budgets are £0.6m favourable against the Period 11 forecast, with the main variances being: - An increased credit of £0.8m against forecast for the accounting adjustments for the UoDSS pension scheme - A £0.4m adverse movement relating to equipment capitalisation as a result of lower spend than anticipated spend at the end of the year - A £0.9 adverse movement relating to a forecast for the release of longstanding accruals where the benefits has been released to Schools and Directorates - An £0.9m impairment for IT projects that have not progressed since last year end - £0.9m unrestricted donations relating to capital projects - Depreciation and amortisation £0.6m lower than forecast - A reduction of £0.3m against forecast for the holiday pay accrual	Centrally held budgets are significantly favourable to budget but these include central costs associated with tuition fee income, pensions adjustments and non-allocated budget (where the actual costs have been recorded against schools and directorates). Central budgets also include depreciation and amortization (including £0.9m impairment for IT projects that have not progressed since last year end)
The UoD shared of the DSV draft outturn is not yet available and will be adjusted for in the final accounts.	The UoD share of the DSV draft outturn is not yet available and will be adjusted for in the final accounts, it should be expected that this will marginally improve the overall position.
At the end of July the cash balance totalled £32.4m including previously ringfenced funds.	At the end of July the cash balance totalled £32.4m
This closing cash position was £35.5m adverse to budget. This variance was driven by the adverse operating position and significant adverse working capital movements, particularly on externally funded research activity.	This net movement in cash during the year was £14.6m adverse to budget, mainly as a result of the reduced EBITDA, but also due to an adverse position on working capital at the year end and partially offset by reduced investment in fixed assets. The position is adverse to forecast by £12.1m, largely due to adverse working capital position at the year end date. It should be noted that the majority of the working capital variance is a result of timing of invoicing and receipt of amounts related to research grant activity and we anticipate this to largely reverse into 2024/25 and are actively working to achieve this.
Comparatives at P11	Comparatives changed to P8
[Original Data]	Income and Expenditure by organisational unit, changed the layout of total schools and directorates to include fewer line items, this still reconciles to the original total figures produced by finance.

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