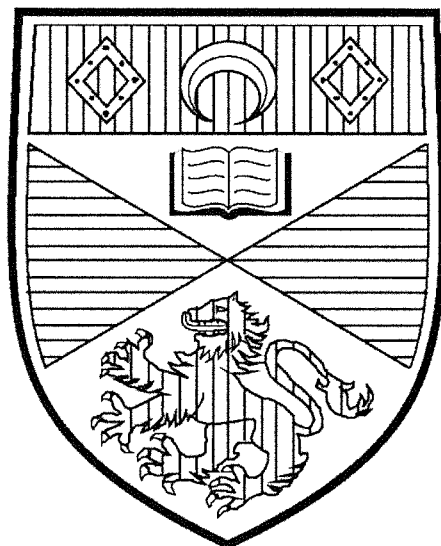


*Reports and Financial Statements  
of the University Court  
for the year to 31 July 2013*



University  
of  
St Andrews

The University of St Andrews is a charity registered in Scotland: No. SC013532



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## MEMBERSHIP OF COURT AND COMMITTEES

The Rector, President  
Mr A. Moffat

Senior Governor, Vice-President  
Mr E. Brown

The Principal  
Professor L. Richardson

Deputy Principal  
Professor C. Hawkesworth

The Chancellor's Assessor  
Dr D. Erdal

The Rector's Assessor  
Ms C. Hill (until 30 June 2013)  
Mr P. Mathewson (from 1 July 2013)

Fife Council, Provost of Fife's Assessor  
Cllr B. Poole

Assessors of the General Council  
Mr E. Brown  
Mr N. Christie

Assessors of the Senatus Academicus  
Dr N. Adamson  
Professor F. Andrews  
Professor A. Mackenzie (until 31 July 2013)  
Dr S. Whiten (until 31 July 2013)  
Dr C. Hooley (from 1 August 2013)  
Professor J. Naismith (from 1 August 2013)

Non-Teaching Staff Member  
Dr A. Sandeman (until 31 July 2013)  
Mr D. Stutchfield (from 1 August 2013)

Student Representatives  
Mr F. fforde, *President of the Students' Association* (until 30 June 2013)  
Ms C. Hill, *President of the Students' Association* (from 1 July 2013)  
Ms A. Litherland, *Director of Representation* (until 30 June 2013)  
Mr E. Woodhouse, *Director of Representation* (from 1 July 2013)

Non-Executive Members  
Sir A. Bagnall (until 31 July 2013)  
Dr N.M. Bryson  
Sir J. Elvidge  
Mr M. Jones  
Rev Dr M. MacLean  
Mr N. Morecroft  
Dr M. Popple  
Dame A. Pringle

Secretary of the Court  
Professor R.A. Piper (until 30 September 2013)  
To Be Confirmed (from 1 October 2013)

## MEMBERSHIP OF COURT AND COMMITTEES

### *Members*

#### **AUDIT & RISK COMMITTEE**

Dr M. Popple (Convener)

Sir A. Bagnall (until 31 July 2013)

Rev Dr M. MacLean

Mr N. Christie

Dr D. Douglas (until 31 July 2013)

Mr J. Lindsay (from 1 August 2013)

Mr W.J. Sutherland

*Secretary: Executive Officer to Court*

### *Status*

Non-executive member

Non-executive member

Non-executive member

Non-executive member

Court nominee

Court nominee

Court nominee

#### **GOVERNANCE & NOMINATIONS COMMITTEE**

Sir B. Ivory (Convener)

Senior Governor

The Principal

President of the Students' Association

Mr N. Morecroft

Sir A. Bagnall (until 31 July 2013)

Dr A. Sandeman (until 31 July 2013)

Dr N. Adamson

*Secretary: Executive Officer to Court*

External convener

*ex officio*

*ex officio*

*ex officio*

Non-executive member

Non-executive member

Member of Court

Member of Court

## MEMBERSHIP OF COURT AND COMMITTEES

### *Members*

### *Status*

#### **PLANNING & RESOURCES COMMITTEE**

The Senior Governor (Convener)	<i>ex officio</i>
The Principal	<i>ex officio</i>
The Deputy Principal	<i>ex officio</i>
The Quaestor & Factor	<i>ex officio</i>
President of the Students' Association	<i>ex officio</i>
Director of Representation, Students' Association	<i>ex officio</i>
Mr M. Jones	Non-executive member
Dame A. Pringle	Non-executive member
Sir J. Elvidge	Non-executive member
Professor F. Andrews	Member of Court
Professor A. Mackenzie (until 31 July 2013)	Member of Court
<i>Secretary: Executive Officer to Court</i>	

#### **REMUNERATION & HUMAN RESOURCES COMMITTEE**

Senior Governor (Convener)	<i>ex officio</i>
The Principal*	<i>ex officio</i>
Sir A. Bagnall (until 31 July 2013)	Non-executive member
Dr N.M. Bryson	Non-executive member
Mr N. Morecroft	Non-executive member
<i>Secretary: Executive Officer to Court / Chief Legal Officer</i>	

\* Matters affecting the Principal's own contract are considered in the absence of the Principal

## REPORT OF THE UNIVERSITY COURT

### Background

Founded in 1413, the University of St Andrews (the “University”) is Scotland’s oldest university and the third oldest in the English-speaking world. Over six centuries it has established a reputation as one of Europe's leading and most distinctive centres for teaching and research.

The University has four faculties which are made up of broadly related Schools and Research Institutes:

- Arts;
- Science;
- Medicine;
- Divinity.

Located in the small town of St Andrews, the University educates around 6,000 undergraduate and 1,500 postgraduate students, from more than 100 countries, and attracts academics from around the globe. As a venue for international conferences and a hub of cultural interest, the University is also a major contributor to the cultural and commercial life of the local community and of Scotland.

### Preparation of the financial statements

The financial statements for the year to 31 July 2013 have been prepared in accordance with the Statement of Recommended Practice: Accounting for Further and Higher Education and the Scottish Funding Council’s (SFC) Accounts Direction. As noted in the statement of principal accounting policies on page 23 the financial statements have been prepared on a historical cost basis as modified to include listed investments at their market value.

### Results for the year

Total income increased by 8.0% to £183.9 million and the surplus for the year was £4.8 million (£2.9 million in 2011/12). The main reason for the increased surplus was increased non-core income. The surplus from operations, excluding gains on disposal of fixed assets increased from £2.4 million to £2.9 million and represented around 1.6% of total income (1.4% last year). This overall outcome was better than originally planned and was achieved against a backdrop of continuing economic uncertainty and inflationary pressures.

Grants received from the SFC were £42.3 million, representing 23.0% of total income which is down from 23.6% in the previous year and from 25.6% in 2010/11. This reflects the growth in the University’s income from other sources combined with the phased withdrawal of funding for students from the rest of the UK (RUK).

Tuition fee income increased by 10.6% to £63.3 million, reflecting the introduction of RUK fees coupled with growth in overseas undergraduates. Whilst St Andrews continues to be very successful in attracting high quality overseas students, universities across the UK see overseas markets as a source of growth to help counteract the restrictions on Scottish funded places, with competition to attract these students increasing. The University’s strategy is to ensure it maintains its excellent standards and reputation in order to continue to attract the best students from across the world.

Research income increased by 5.1% to £39.2 million. The level of grants awarded during the year increasing from £39.6 million to £53.2 million with research grant applications increasing by £8.8 million to £183.3 million. Awards were received from a more diverse range of sponsors with the overall proportion of awards from Research Councils reducing from 54% in 2011/12 to 45% and awards from industrial sponsors increasing more than threefold. The University has made a considerable investment in research facilities and the recruitment of high quality research staff. This

## REPORT OF THE UNIVERSITY COURT

combination should ensure that St Andrews can build on its current research base and maintain its position as one of the leading UK research-led institutions. Whilst the University's research strengths continue to focus mainly on pure research, there is an increased focus on maximising the use of this research to generate future applied research and knowledge transfer. This approach will contribute to the long-term success of the University as well as the economy.

Other income increased by 6.9% to £36.1 million, mainly from currency gains, unrestricted gift income, conference income and income from the commercialisation of research.

Endowment income, which helps support widening access through the funding of student scholarships, increased by 9.9% to £1.4 million, reflecting improved returns on investment. Although interest rates on cash deposits remained very low, higher cash balances saw interest receivable increase from £0.3 million to £0.4 million.

Pay costs continue to be the largest area of expenditure, accounting for £102.6 million, equivalent to 55.8% of income (down from 56.6% last year). Resource requests are tied to specific output measures and an efficiency plan is being developed that is specifically tied to improve partnership working across the University. Pay scales, and pay negotiations, are determined at a UK level, with the University's ability to exert influence being very limited. Any softening in the pay constraint currently being applied across the public sector would impact on the ability of the University to sustain the current level of investments in academic resource and the further enhancement of the student experience.

Other operating expenses increased by 10.1% to £61.6 million. There were higher costs relating to bursaries and scholarships, IT equipment and repairs & maintenance. Energy consumption increased significantly in the year due to the severe winter and higher utility prices are an area of increasing concern. The University will continue to pursue its plans for a windfarm at Kenly, and to maximise the potential for renewable and sustainable energy using the former paper-mill site in Guardbridge in order to tackle its ever increasing utility bill and to take a major step towards achieving a carbon neutral footprint.

The University has a high, but unquantified, financial exposure relating to the UK-wide Universities Superannuation Scheme (USS). The latest USS triennial valuation showed a deficit of £2.9 billion. Over the past year, changes in benefits, contribution rates and scheme structure have been implemented in an attempt to address this deficit but there is still a risk that further contributions may be required. Because of the constitution of the USS scheme, St Andrews, along with all other universities in the Scheme, is not able to identify its share of the deficit and consequently this potential liability is not included in the accounts.

Net assets increased by £27.8 million to £156.8 million. This was principally due to a £12.1 million positive movement in the FRS17 pension deficit of the University's local pension scheme and a £10.8 million increase in the value of our endowment funds. There was a smaller increase in tangible fixed asset values, compared to prior years, as a number of major new buildings were completed in 2010/11 and a more restrained long term capital investment plan implemented during the last two years. Cash management has improved, with cash and short term deposits increasing to £26.7 million compared with the prior year end balance of £16.3 million.



## Key Performance Indicators

The University measures its performance against a set of Key Performance Indicators (KPIs). Court initially approved a range of KPIs during 2008 and there have been subsequent refinements to ensure they are useful and meaningful to both Court and management in highlighting the key elements of successful University performance, the factors which drive such performance and the areas where management action is required. The indicators which address Research and Knowledge Transfer, Learning and Teaching, Student Experience and Access, Staff, Organisational Efficiency, Estate and Financial Health are proving a useful Governance tool.

**Research and Knowledge Transfer** – Preparations are almost complete for the Research Excellence Framework (REF), gathering information on research outputs, environment data and impact case studies with an effective date of 31st October 2013. The level of research income during the year increased by £1.9m, with increases in the value of applications, and the value of awards won. This is a positive sign for future research activity and reflects investment in both academic research staff and infrastructure. Commercial income, generated through knowledge transfer also increased by £1.4m.

The Research@StAndrews Portal showcases the University's excellent research, recording and tracking information relating to the University's Research Centres, individuals' research profiles and research publications.

**Learning and Teaching** – The University continues to see an increase in the quality of its student entrants with levels of UCAS tariff points and SAT combined scores above target. The University continued to attract 11 applications for each Home/RUK/EU place and record numbers of applicants from around the globe thus providing external validation of the standing of the learning and teaching opportunities that are offered, and the desire of students from across the world to come to St Andrews to learn, develop and achieve their aspirations. Demand for Post Graduate Taught (PGT) programmes from the home as well as overseas markets remains strong as competition for graduate jobs increases and an increasing number of university graduates seek higher masters level qualifications in order to meet the needs of employers.

**Student Experience and Access** – The University believes that an excellent student experience is critically important for its continued success. In the 2013 National Student Survey (NSS) St Andrews was top in Scotland and joint second place in the UK for mainstream institutions with a score of 93% for overall satisfaction. This is the eighth year in succession St Andrews has featured at the top of the NSS demonstrating our deep rooted commitment to academic excellence and meeting student expectations of a world class academic experience.

Through its 600<sup>th</sup> Anniversary campaign and the introduction of new-entrant bursaries, available to all English, Welsh and Northern Irish domiciled students with lower household incomes, established for the new academic year 2012/13, the University continues to grow the amount of resources available for scholarship funding to further improve access opportunities for able students.

**Staff** – The University is on track in terms of achieving its target of reducing annual staff costs which it has decreased to 55.8 % of total University income, comfortably below the ceiling of 57% of income, as stated in the University's financial strategy. A new lower target of between 57% and 53% has now been agreed by Court as part of a revised Financial Strategy for 2012/13 onwards. The University has a ratio of academic staff FTEs to support staff FTEs has held steady at 1.3:1. The aim is to increase this ratio year on year to 1.5:1 in the longer term.

## REPORT OF THE UNIVERSITY COURT

**Organisational Efficiency** – The University strives to make efficient use of the resources available to it. This need for efficiency is even more keenly felt in financially difficult times. During the year, the University exhibited excellent budgetary discipline whilst increasing the income derived from its assets and services from its assets, contributing towards the increased year on year surplus. The Scottish Funding Council requires the University to achieve an annual 2% efficiency target against the public funds it grants to the University. The latest return reflected a level of 10.5% against the SFC grant.

**Estate** – The University is continuing to upgrade its infrastructure to meet the additional demands of a larger student body. The Strategy aims to bring its entire physical infrastructure to, and maintain it at, a level required to support its varied uses at an acceptable level. In the period since 2006 the cost of the University's outstanding backlog maintenance has been reduced from £58.0 million to around £43.2 million. The University aims to continue to reduce this backlog but recognises that the rate of improvement will be affected by the level of funds generated by its operations. Energy consumption of electricity and gas per m<sup>2</sup> increased by 13.6% due to the severe winter. The University's long term commitment to reduce utility costs and meet environmental sustainability targets continues to be a high priority with the ambitious target of achieving a 3% annual reduction in energy consumption per m<sup>2</sup>. Critical to this aim is the consolidation of IT networking infrastructure into purpose built facilities and the University has invested heavily in new IT equipment this year.

**Financial Health** – The University's Financial Strategy sets out basic financial goals, covering efficiency, liquidity, borrowing levels and surplus generation. They are designed to ensure that the University remains financially stable and sustainable in its liquidity and in the generation of sufficient funds to support new infrastructure and on-going maintenance. An operational surplus equivalent to 1.6% of turnover was achieved which is up from 1.4% last year, and above that initially budgeted. The target for the University remains at 5% of total income which Court believes is desirable to sustain the level of on-going investment required in the longer term, although it is recognised this is a difficult target to meet in the current financial climate. However indications of strong budgetary discipline together with increased income being derived from existing assets is very encouraging. Cash balances continue to increase resulting in a reduction in the net current liability position, moving the University towards the strategic goal of having net current assets.

The University currently has £91.3million of longer term debt including £30.0million with repayments commencing in 2019 and £60.0 million repayable from 2039. Interest payments are fixed for the duration of the loan and form part of the normal operating expenditure and cash management plans.

The University remains committed to a programme of fund-raising from alumni, other individuals, trusts and companies in order to support students and research across the spectrum of the University.

### **Achievements of the year**

The University has been celebrating the climax of its 600<sup>th</sup> Anniversary celebrations with a number of significant events. These included a 600<sup>th</sup> Anniversary Appeal Dinner attended by their royal highnesses the Duke and Duchess of Cambridge; the continuation of the 600<sup>th</sup> Lecture series; a very successful 600<sup>th</sup> golf tournament; a Papal Bull relay with a mixture of staff and students retracing the original journey from Peniscola in Spain to St Andrews and ended with a weekend of Academic Celebration that brought together world-renowned 'great-minds' to debate the future of Universities. It also brought together academics, staff, students and the people of St Andrews in an historic commemoration of Scotland's oldest and best loved seat of learning.

The University continues to achieve major successes in published league tables, maintaining its position as being recognised among the top five in the UK, the top University in Scotland and being placed 4<sup>th</sup> in the Guardian University Guide 2014. In addition, the University was ranked 47<sup>th</sup> in the Leiden Ranking

## REPORT OF THE UNIVERSITY COURT

2013, which assesses the quality and importance of scientific research at 500 of the world's top universities. This is up 24 places on last year and places the University of St Andrews fifth in the UK. It has also just seen a large improvement in its world ranking from 93<sup>rd</sup> to 83<sup>rd</sup> in the QS World University Rankings, the largest and most extensive listing of its kind. Much of this is due to the enormous commitment of staff throughout the University to achieve excellence in a highly competitive market.

In learning and teaching, the University continues to perform well, as evidenced by continuing very strong demand for entrance alongside rising entrant requirements and in nationally published satisfaction indicators. In publishing its outcome agreements for the year, St Andrews has pledged to redouble its efforts to widen access on a range of fronts by:

- Introducing a new Gateway to Computer Science programme for up to 15 access students, with a guaranteed entry to the 2<sup>nd</sup> year of the Computer Science degree for those that fulfil the requirements;
- Committing to work with the Scottish Wider Access Project;
- Discussing with each of the major local colleges ways to improve access for students via college courses;
- Increasing bursary support for Scottish Students by £400,000; and
- Continuing to prioritise student support in order to maintain enviable low drop-out rates which are the lowest in the UK next to Oxbridge.

The University continues to punch well above its weight in terms of economic impact. Despite its small size, a new independent report published by BiGGAR economics found that for every £1 of public teaching and research grant invested in St Andrews, the University returned over £12 to the Scottish Economy, with the annual gross contribution being calculated at £484 million. This has shown a significant improvement from when the last study was carried out in 2010, when a return of £7 per £1 public funding, and a gross contribution of £305 million, was reported. Large-scale conferences, such as the Society of Biblical Literature's International meeting, attended by over 850 delegates over five days and supported by the VisitScotland Conference Bid Fund, demonstrate the University can be a hugely effective partner of the Scottish Government to make Scotland an attractive destination for this type of international event.

The on-going commitment to improving and investing in the University's IT infrastructure saw the roll-out of wi-fi capabilities throughout the campus and town, making the University the first in Scotland to be able to offer university-wide wi-fi to all visitors. The University was also first in the UK to receive a Two-Star Service Desk accreditation from the Service Desk Institute, awarded to organisations which can demonstrate the best possible Information Technology services.

2012/13 has seen continued investment in the University's Library and Special Collections facilities. In addition to the completion of the final phases of the main library development, Martyr's Kirk was purchased from the Church of Scotland during the year and has been fully renovated to provide purpose built reading room space for post-graduate students within a spectacular historic building.

The University has started to make a transformative investment in the Students' Association building. A £12 million redevelopment will provide a full renovation, increased space, an aesthetic overhaul, and facilities capable of meeting the needs of a 21st-century student body. The plans envisage the creation of new and improved student venues within the building's current footprint, including provision for theatre and acoustic music, modern central headquarters for student societies and committees and a state-of-the-art multimedia suite. This investment, designed and planned with the Student Association, reflects the importance placed on the student experience by the University.

## REPORT OF THE UNIVERSITY COURT

The launch of a new website and online catalogue created by the University of St Andrews in collaboration with the McManus Galleries of Dundee now allows a rarely shown collection of Victorian prints (the Orchar Collection) to be viewed on demand. Too delicate for regular display in the normal way, this very modern solution now allows James Orchar (1825-1898) to realise his vision to have the people of Dundee share and access his fine collection.

### **People**

The University's success is based on the enthusiasm, dedication and talent of its academic staff, along with the ability and professionalism of support staff working throughout its Schools and Units. The University remains committed to working with its staff to strive for excellence and further enhance the reputation of the University.

The University recognises that the whole of its community contributes to its continued success and that students are a vital part of that community. The effective partnership working that is in place with students on a wide variety of issues on academic, support, governance and extra-curricular activities is an essential element in maintaining and enhancing this success. The University takes great pride in what its students achieve - both academically and through their very extensive charitable and voluntary activities.

The University particularly thanks the lay members of the University Court who contribute their time and skills without remuneration. They help to ensure strong governance of the University by providing an appropriate mix of support to management and necessary challenge.

### **Future developments and principal risks and uncertainties**

There are a number of on-going risks that are being actively managed:

- The forthcoming REF assessment is critical for a research-intensive university such as St Andrews. The co-ordination and planning for this assessment is reviewed at the highest level and is high on the agenda of Court and of all academic staff.
- Maintaining RUK and overseas student numbers is critical to ensure tuition fee income is kept at a sustainable level. This is mitigated by ensuring that the student experience is second to none and is supported by significant planned investments in student facilities in both Sports and within the Student Association building.
- Pay negotiations are likely to continue to be a risk to the university due to the growing gap between headline inflation, restrictions on income growth and affordable pay offers.
- The latest actuarial valuation of the USS pension scheme shows a significant deficit. There also remains a liability in the University's local pension scheme. Both of these schemes are subject to considerable volatility exposure beyond the control of the University. Any potential increase in employer contributions towards these deficits, along with the Government driven introduction of auto-enrolment to pension schemes, will present a financial challenge to the University.
- Utilities price-inflation and energy utilisation is a major risk to the University as forecast cost increases far out-strip projected income growth. The University has plans to build a wind-farm and a bio-mass plant in order to mitigate increasing prices and significantly reduce its carbon footprint, but needs to achieve planning support in order to deliver these projects. There is a focussed sustainability agenda to address utility usage.
- Increasing reliance on technology and the increasing expectations of the University's community are being addressed through planned expenditure on IT systems to increase resilience, security and provide excellent support to both staff and students.

## REPORT OF THE UNIVERSITY COURT

- The environment within which the University operates may become uncertain as a consequence of the evolving political landscape in the run up to, and in the period after, the forthcoming independence vote, irrespective of the actual result. This could severely affect the ability to charge fees at a level which is appropriate to manage demand and to meet the costs of providing the quality research led teaching provided by the University. It may also influence the ability to attract research funds and attract and retain world leading academic staff.

### **Payment of creditors**

It is the University's policy to obtain the best terms for all business and thus there is no single policy as to the terms used. In agreements negotiated with suppliers, the University endeavours to adhere to specific payment terms. The average creditor payment period, calculated as a proportion of the year-end creditors to aggregate amounts invoiced during the year, was 33.6 days (2011/12: 31.2 days).

### **Conclusion**

The main focus of the 600<sup>th</sup> anniversary fundraising campaign has been to raise £100 million for the University to invest in people and ideas. The University's aims are to maintain its position against wealthier and substantially larger peers, continue to lead in the academic field and continue to open its doors more widely to attract students irrespective of their individual financial status.

The University will continue to strive to look after its students, preserve its heritage and enhance its teaching and research capabilities whilst recognising the challenging financial circumstances facing the higher education sector.



**Ewan Brown**  
**Senior Governor**  
**18 October 2013**

**The University of St Andrews is a charity registered in Scotland: No. SC013532**

## RESPONSIBILITIES OF COURT

In accordance with the Universities (Scotland) Act 1889 as amended by the Universities (Scotland) Act 1966, Court is responsible for the administration and management of the affairs of the University and is required to present audited financial statements for each financial year.

Court is responsible for ensuring that there are proper accounting records which disclose with reasonable accuracy at any time the financial position of the University and enable it to ensure that the financial statements are prepared in accordance with the Universities (Scotland) Act 1889 as amended by the Universities (Scotland) Act 1966, the Statement of Recommended Practice: Accounting for Further and Higher education, and other relevant accounting standards. In addition, within the terms and conditions of the Financial Memorandum agreed with SFC, through its designated office holder, Court is required to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the University and of the surplus or deficit and cash flows for that year.

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

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

Court has responsibility to:

- ensure full compliance with charities legislation and the retention of the University's charitable status;
- ensure that funds from SFC are used only for the purposes for which they have been given and in accordance with the Financial Memorandum with SFC and any other conditions which SFC may from time to time prescribe;
- ensure that there are appropriate financial and management controls in place to safeguard public funds and funds from other sources;
- ensure that there exists an effective platform for the control and monitoring of risk and that risk implications are considered at all areas within University management;
- safeguard the assets of the University and prevent and detect fraud;
- secure the economical, efficient and effective management of the University's resources and expenditure.

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

- clear definitions of the responsibilities of, and the authority delegated to staff;

## RESPONSIBILITIES OF COURT

- a comprehensive planning process, supplemented by detailed annual income, expenditure, capital and cash flow budgets;
- regular reviews of financial performance, including updates of forecast out turns;
- clearly defined and formalised requirements for approval and control of expenditure, with investment decisions involving capital or revenue expenditure being subject to formal detailed appraisal and review according to approval levels set by Court and promulgated in the Standing Financial Instructions;
- comprehensive Financial Regulations, detailing financial controls approved by Court on the recommendation of the Planning & Resources Committee;
- an Internal Audit team whose annual programme is approved by the Audit Committee and endorsed by Court providing Court with a report on internal audit activity within the University and an opinion on the adequacy and effectiveness of the University's system of internal control, including internal financial control;
- an Audit & Risk Committee whose terms of reference are laid along with all Court Committees and which are summarised on pages 14 & 15.

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

## CORPORATE GOVERNANCE

The University is committed to best practice in all aspects of corporate governance. The summary provided below describes the manner in which the University has applied the principles set out in The UK Corporate Governance Code (June 2010), developed to establish standards of best practice in corporate governance amongst UK listed companies. Its purpose is to help the reader of the financial statements understand how the principles have been applied. The summary incorporates internal control guidance for directors set out in the Turnbull Guidance (The FRC Internal Control Revised Guidance for Directors on the Combined Code) as amended by the British Universities Finance Directors Group. A benchmarking exercise carried out by SFC (SFC/42/2008) found that sector guides used by the University covered the vast majority of the key themes set out in *The good governance standard for public services*. A new Scottish Code for Good Higher Education Governance came into effect on 1 August 2013, and the University will be implementing its provisions during the academic year 2013-14.

In the opinion of the University Court, the University complies with most of the principles of The UK Corporate Governance Code and the Turnbull Guidance (amended as outlined above), in so far as they apply to the higher education sector, and it has complied with such principles throughout the year ended 31 July 2013. There is divergence between University practice and The UK Corporate Governance Code, however, in the following two areas:

- Chair of Court - Meetings of Court are presided over by the Rector, an elected representative of the students, in terms of the Universities (Scotland) Act 1889, section 5(5). Accordingly, the University cannot comply with best practice with regard to Chair of Court. The University has, however, with the full consent of the Rector, instituted an arrangement for the election of one of the non-executive members of Court to act as 'Senior Governor'. The Senior Governor leads Court on all items of business associated with planning and resources and for such other matters as the University may be held accountable to the SFC. In addition, the Senior Governor is responsible for the appraisal and review of Court members and the Principal. The Senior Governor is elected by Court and thus has the support of the governing body as a whole in fulfilling these roles as well as engaging directly with SFC and the Scottish Government as appropriate. The SFC reviewed this governance arrangement in session 2008/09 and reported that it was satisfied with the procedure. The new Scottish Code for Good Higher Education Governance recognises this distinction between the roles of the Senior Governor and the Rector and makes provision for the Rector's precise role at meetings to be established by a protocol determined by each University Court.
- Term of Office – Elected and appointed members of Court normally have a term of office not exceeding four years. This compares with The UK Corporate Governance Code principle of three-year terms of office. Nevertheless, members are limited to two such terms of office, and the relatively large size of Court in comparison with listed companies (due in part to the representation of different groups on Court, encouraged in the Scottish Government's recent review of higher education governance) means that there is a regular turn-over of membership of Court as a whole.

Court, which is the governing body of the University, derives its authority from Acts of Parliament which, *inter alia*, vest in Court the administration of all property and revenues of the University and give it the power to review the decisions of the Senate. Court thus has overall responsibility for the governance of the University, including all aspects of strategic planning and management of all resources, whether financial, human or physical.



## CORPORATE GOVERNANCE

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

Responsibility for the monitoring of risk lies with the Audit & Risk Committee on behalf of Court. The University has a Risk Management Group, led by a member of the Principal's Office and containing representatives from all key University activities. This Group is tasked with responsibility for embedding risk management in all decision-making processes of the University. It operates within a framework of control agreed by the Audit & Risk Committee to ensure that the University continually monitors its exposure to risk, taking corrective action where necessary, with performance of this role measured and monitored by the Audit & Risk Committee.

Court had four regularly scheduled meetings during the year ended 31 July 2013, one of which was linked to a strategic away day. Court has a number of committees with particular areas of responsibility. The Court also operates an assurance scheme whereby particular areas of responsibility are governed by a number of Assurance Groups, each including a non-executive member of Court and with a reporting line to a parent committee. The committees and assurance groups are:

<b>Committee</b>	<b>Related Assurance Group</b>
Audit & Risk Committee	Academic Health & Safety University Ethics
Governance & Nominations Committee	
Planning & Resources Committee	Investment & Treasury
Remuneration & Human Resources Committee	

All of the Committees are constituted with formal terms of reference. Membership of committees is disclosed on pages 1-3. In addition, the University Court receives reports regarding the University's Superannuation & Life Assurance Scheme, the chair of whose trustees is a non-executive member of Court.

The **Audit & Risk Committee** consists of non-executive members of Court, supplemented by additional co-opted external non-executive members to assist it in its role. The Committee reviews the audit of the University's annual financial statements and keeps under review (a) policies, procedures and regulations in respect of the University's assets (including its special collections), and (b) financial controls, accounting procedures, the application of accounting standards, and routine arrangements for the investigation of questions of financial irregularity or impropriety. In addition, it considers all matters relating to the internal and external audit, of the affairs of the University and of those companies controlled by Court. In this capacity it receives reports from the internal and external auditors. It also has responsibility for monitoring risk and receives regular reports from the University's Risk Management Group. Whilst senior management attend meetings of the Audit & Risk Committee as necessary, they are not members of the Committee; and the Committee has the opportunity to meet with the internal or external auditors in the absence of University management.

## CORPORATE GOVERNANCE

Three Assurance Groups report to Audit & Risk Committee.

- The Academic Assurance Group oversees the implementation, management and monitoring of the University's quality enhancement strategy and quality assurance procedures. It also advises Academic Council (for Senate) on changes to the University's academic monitoring procedures; and liaises with University Officers and Committees on matters relating to academic quality assurance.
- The Health & Safety Assurance Group advises the Audit & Risk Committee on all matters concerning health and safety, including the University's legal obligations. The Group receives annual reports from the University's Director of Environmental, Health and Safety Services concerning the management of all areas of health and safety at work, including occupational health, radiation hazards, biological and chemical hazards and fire safety. In addition, the Group considers, as required, reports from Inspectors of enforcing authorities under health and safety legislation, reports from the University's insurance brokers and issues raised by the Trade Union safety representatives and student sabbatical officers. The Group reviews the University's Health & Safety Policy, agrees programmes for health and safety audits and ensures that recommended action is taken efficiently and effectively. Through the Audit & Risk Committee, the Group also makes recommendations to Court on actions considered necessary to promote the health and safety of employees, students and others within the University.
- The University Ethics Assurance Group undertakes to assure the appropriateness of the University's policies, procedures and decision-making where ethical consequences may be of significant concerns. This also applies to University sponsored activities wherever geographically undertaken. In particular it receives reports from the University Teaching & Research Ethics Committee, the Animal Welfare Ethics Committee and other secure research activities. In turn it reports to the Audit & Risk Committee on the effectiveness of these control activities and any issues of concern.

During the year, the University tendered for external audit services and Ernst & Young were re-appointed.

The **Governance & Nominations Committee** advises Court on any matter pertaining to the execution of its governance functions, including the appointment and role of the Senior Governor; identifies and recommends persons for membership of Court; makes recommendations to Court with regard to (a) the overall structure of University committees and (b) the remit and Court-nominated membership of such committees; and recommends to Court how it should be represented, as necessary, on external or internal bodies. It is also responsible for initiating effectiveness reviews of Court's activities. It is convened by an independent chair, who is not a member of Court.

The **Planning & Resources Committee** (PARC) reviews the annual budget and financial forecasts of the University, and the levels of residential, tuition and other fees charged to students; reviews regularly during the year actual income and expenditure as compared with budgeted levels; monitors the level and cost of the University's borrowings and the extent of other liabilities; and reviews and makes recommendations on individual financial decisions which due to their size or nature are reserved for Court. It is also empowered to take financial decisions in accordance with limits prescribed in the Standing Financial Instructions. In respect of its strategic planning and development responsibilities, Court receives recommendations and advice from PARC. PARC also keeps under review and reports to Court on the University's external fundraising. PARC is chaired by the Senior Governor; it includes in its membership the non-executive Court member who convenes the Investment & Treasury Assurance Group.

## CORPORATE GOVERNANCE

One Assurance Group reports to PARC.

- The Investment & Treasury Assurance Group is charged with ensuring that appropriate and effective decisions are taken with regard to the investment and holding of funds under the University's management and that these activities are conducted with due regard to the University's investment policy and management of risk. It conducts regular reviews of the general investment policy of the University and within the context of that policy monitors the performance of (i) the University's investment advisers, (ii) the investment portfolio(s) under their management and (iii) University investments not under the management of the investment advisers. It reviews and makes changes in the appointment of the University's investment and treasury advisers and takes decisions in relation to the general nature or distribution of the investment portfolio and holdings, reporting as appropriate to PARC.

The **Remuneration & Human Resources Committee** ensures that the University's responsibilities as an employer are being properly managed and approves remuneration arrangements for University staff above defined thresholds. It receives, considers and approves the recommendations of the Principal in relation to the remuneration of all staff whose salary progression does not represent standard progression with regard to a recognised salary scale; receives and considers information from the Principal on all severance arrangements and approves the recommendations of the Principal on specific arrangements which involve University expenditure in excess of £80,000; determines, through its non-executive members, the remuneration of the Principal; and takes a general overview of all of the above, or any related, matters in order to ensure the exercise of appropriate financial control and of reasonable employer behaviour in remuneration or severance arrangements. More widely with regard to University staff, the Committee also receives, reviews, approves and monitors the University's strategic objectives in respect of its staff; considers, encourages and reviews the effectiveness of staff policy initiatives; reviews succession planning; reviews the effectiveness and performance of the Human Resources activities and monitors compliance and risk management with respect to employment law and practice. The promotion of equality opportunities throughout the University also falls within its remit.

In keeping with the University's policy on the registration and declaration of interests, all persons routinely attending meetings of Court and its Committees are required to take proper account of any conflict of interest which might arise from their University involvement on the one hand and their membership of, or connection with, other bodies outside the University on the other. The Executive Officer to Court & Senate has established and maintains a formal register of interests. It is available for inspection in the Court & Senate Office by those obliged to supply information for inclusion in the register, officers of SFC and the University's internal and external auditors. The Executive Officer to Court & Senate may, after consultation with the Senior Governor, the Principal and the member(s) concerned, also make the register, or a specific part of the register, available to others.

As reported in previous years' Reports and Financial Statements, the University has formally compared the practice of Court with the requirements of the Guide for Members of Governing Bodies of Scottish Higher Education Institutions and Good Practice Benchmarks (SFC Circulars HE/05/99 & HE/23/00) and the Guide for Members of Higher Education Governing Bodies in the UK (March 2009) published by the Committee of University Chairs (CUC).

**Equal Opportunities**

The University has an Equality and Diversity Inclusion Policy that applies to all staff and all students. It was revised in November 2011, taking into account the provisions of the Single Equality Act (2010) and the General Duties of the Scottish Public Sector Equality Duty (2011). The Policy's aims are that all individuals will be treated with respect and that they will not be subject to unfair discrimination in any aspect of university life. The University's aim is that all staff and students, whether existing or potential, will receive fair and equal treatment when applying to become, or working as, members of the University. The Equality and Diversity Inclusion Policy aims to achieve an environment in which unfair discrimination is not tolerated, and in which everyone has the opportunity to develop to his or her full potential. This Policy includes specific provision for existing and potential employees with protected characteristics, including those with disabilities and those from under-represented ethnic and racial groups. The University actively seeks ways to ensure that such individuals are not disadvantaged in their career development by factors relating to their personal circumstances. To comply with updated equalities legislation, including Scottish Specific Duties (2012), the University has introduced a Single Equalities Outcome Scheme for the period 30 April 2013 to 30 April 2017. This scheme consolidates required actions across all equality strands and protected characteristics into a single plan, and replaces previous schemes and plans for disability, gender and race equality.



**Professor Nic Beech**  
**Vice-Principal (Governance)**  
**18 October 2013**

## CORPORATE SUSTAINABILITY REPORT

During the year, the University has been implementing the commitments set out in its Sustainable Development Policy and Strategy 2012-2022. This ten year plan includes objectives in the areas of teaching, research, operations and community engagement. This report summarises some of the key aspects. A more detailed report will be posted on the University's website later in the year.

There were no infringements of environmental legislation during the year and no enforcement notices were issued.

### **Energy and Carbon Management**

Utilities costs have risen by 13% compared to the previous year reflecting the market rate for utilities. This trend is expected to continue upwards by around 10% per year. Overall carbon emissions have increased by 1.6% compared to 2011/12. Electricity usage reduced by 10%, while gas use increased by 18% due to the severe and prolonged winter and the installation of Combined Heat and Power units which use gas to produce heat with electricity as a by-product. This year the University paid £313,000 for carbon allowances in the government's Carbon Reduction Commitment (CRC) scheme. In relation to turnover, CRC carbon emissions fell by 6%. The University continues to implement its 3-part Energy Strategy to tackle energy carbon emissions and manage costs associated with energy use. In fact, the stabilisation of usage compared to the previous year is due to the investment in energy efficient infrastructure as part of the University's SALIX fund, where savings from energy investment are put back into the fund to support further work. The University has spent £2.7M through the SALIX fund, which is delivering lifetime carbon savings of 57,200 tonnes across 140 individual projects.

More than 220 staff have been provided with environmental training and there are now 51 staff enrolled on our 'Passport to Environmental Excellence' 18 month training programme. The University continues to implement the fitting of micro-renewable systems on its buildings to make them more self-sufficient in energy terms. This includes our two BREEAM Excellent (Medical and Biological Sciences Building and Fife Park Apartments) and the BREEAM Outstanding (Biomolecular Sciences Annex) buildings. The Biomolecular Sciences Annex building has won the "Technical Innovation of the Year-Projects" award at the Building Control Industry Awards 2013, and was shortlisted for 4 more awards.

To achieve the relatively large carbon reductions necessary under the Climate Change (Scotland) Act 2009, it is necessary to implement some significant carbon savings. This is why the University has proposed a 12MW wind farm and also why it is investing in a district heating scheme for the North Haugh part of the campus with hot water generated using biomass at a proposed new energy centre at the former Guardbridge Paper Mill. These two 'step change' projects together will save 27,000 tonnes of carbon annually and will assist the University in achieving its goal of carbon neutrality for energy by 2016.

### **Water Use**

Water consumption has reduced by 1% compared to the previous year, by installation of cooling equipment in laboratories. Water costs have reduced by £28K compared to the previous year.

### **Waste Management**

The amount of waste recycled has reached a high of 73%, with 69% recycled and 4% reused. Total waste arisings generated by the University have fallen by 109 tonnes and the overall volume of waste sent to landfill is also down by 69 tonnes (2%) this year. However, waste costs continue to rise due to the increased cost of disposal to landfill through the landfill tax escalator, currently £72 per tonne (rising to £80 per tonne as of April 2014) alongside rising contractor fuel costs.

### **Waste Management (cont'd)**

The University is compliant with the Zero Waste (Scotland) Regulations coming into force January 2014 requiring source segregated, closed loop recycling schemes for dry recyclables such as cans, plastics, glass, paper and cardboard. During the year, a Sustainable Food Policy and Action Plan has been developed which aims to engage with suppliers to enable procurement of more local, fresh food with seasonal menu planning, including actions on resource efficiency e.g. reduced deliveries, packaging and food waste

### **Teaching and Research in Sustainable Development**

One of the roles of universities in society is to create knowledge that can support transitions to sustainable development. Knowledge, however, has to be transmitted in some way in order for it to have an impact (for example) on the world of policy and practice. The teaching mission of the University is a substantial part of the transmission of knowledge for sustainability. Individuals within the University (as well as the University itself) also have a role to play in broader fields of engagement. Indeed, the role of evidence in informing (or not) public policy and practice is a lively intellectual field of its own and thinking in this area of investigation connects with the sustainable development research efforts of the University.

This last year, the St Andrews Sustainability Institute formalised its connection to the Sustainability Knowledge Alliance (SKA), which is hosted by Exeter University but involves several higher education institutions (spread across the United Kingdom). SKA describes itself as an: “independent network of researchers offering a wide range of expertise and evidence-based advice to everyone interested in moving towards a sustainable society within a permanently habitable planet. Through sharing of information and expertise, the SKA seek to support shifts towards forms of governance which lead to an equitable and just society across the globe and which actively cares for the wellbeing and betterment of all citizens and their offspring” partners (see <http://www.exeter.ac.uk/ska/about/>). This alliance has especially sought to support the UK Parliaments’ Environmental Audit Committee by providing it with specialist input during its evidence sessions. Likewise, members of the University have provided specialist training to the Scottish Parliament about how sustainable development concerns might be ‘mainstreamed’ into Parliamentary scrutiny.

At the same time the international global change research programs are undergoing a profound re-visioning and unification process under the banner of the Future Earth initiative (see <http://www.futureearth.info>) and researchers from the University of St Andrews are also engaged with this process. Future Earth recognises that we humans are both causing unsustainable global change and have it in our power to affect a transition to sustainability. As such, understanding humans – our rational and irrational behaviour, motivations, foibles, tribal tendencies, and all – comes to the centre stage. This provides a lively and distinctive role for both social science and the humanities in the understanding of sustainable development and builds on the interdisciplinary focus around sustainable development that is supported at the University of St Andrews.

### **Sustainable Investment**

The bulk of the University's endowed funds are invested in line with our Sustainable and Socially Responsible Investment Policy. Our fund managers, Alliance Trust are instructed to seek investments which:

- promote socially responsible behaviour and sustainability,
- address issues on human rights, business ethics, good employment practice, the environment, community investment, armaments, essential resources and animal testing,
- encourage good behaviour and discourage poor behaviour through the screening of investments.

As part of this policy, the University has established a forum for engagement with its staff, students and alumni with Alliance Trust Investment Managers, to provide an opportunity for on-going debate in the consideration of these issues and encouragement of sustainable behaviours.

### **Student campaigning and charity work**

The University's students continued their long tradition of charitable fundraising, volunteering and "green" campaigning. Student groups raised well over £150,000 for local, national and international charities. This past year students fundraised for charities including Maggie's Cancer Caring Centres (Fife), the RNLI (Anstruther), Children's Hospice Association Scotland (Scotland), Families First (St Andrews) and many, many more. Of the 150+ affiliated student societies of the Students Association, most partake in fundraising events or activities throughout the academic year, bringing general awareness of worthy causes into the daily lives of St Andrews staff and students.

As well as such activities, the Students' Association's dedicated Charities Campaign exists to fundraise throughout the year with ventures including sponsored hitchhikes in Europe, our annual Raising and Giving Week (RAG), and numerous events with the community. In recent years the Campaign has raised as much as £100,000 for student-nominated charities.

Additionally students continue to engage in a very large variety of charitable and voluntary activities. Many of these activities are centred on St Andrews and Fife, with a recent growth in 'Town and Gown' events. The SRC Community Relations Officer works hard to arrange events with the local community and is just one of a number of students who sit on the Community Council.

Building upon the work of previous years in improving the University's ethical investment credentials, the Students' Association and University continue to collaborate on the creation of ethical guidelines for University research projects and funding sources, as well as organisation-wide procurement practices. The ongoing Inter-Hall Energy Competition continued to drive down energy usage in halls of residence and students held two Green Weeks to showcase how students can minimise their impact on the environment, with lectures, arts & craft events, and an energy cycling competition. There continue to be a number of awareness weeks around many important local and ethical issues, such as accommodation, gender awareness and mental health.



**Derek Watson**  
**Quaestor & Factor**  
**18 October 2013**

## INDEPENDENT AUDITORS REPORT TO THE COURT OF THE UNIVERSITY OF ST ANDREWS

We have audited the Consolidated and University financial statements for the year ended 31 July 2013 which comprise the Statement of Principal Accounting Policies, Consolidated Income and Expenditure Account, Consolidated Statement of Total Recognised Gains and Losses, Consolidated and University Balance Sheets, Consolidated Cash Flow Statement and the related notes 1 to 32. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the University Court of the University of St Andrews ("Court"), as a body, in accordance with the Financial Memorandum of the University; and in accordance with section 44(1) (c) of the Charities and Trustee Investment (Scotland) Act 2005 and regulations 10 of the Charities Accounts (Scotland) Regulations 2006 (as amended). Our audit work has been undertaken so that we might state to Court those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than Court as a body, for our audit work, for this report, or for the opinions we have formed.

### **Respective responsibilities of Court and Auditors**

As explained more fully in the Responsibilities of Court set out on pages 11 and 12, Court is responsible for preparing the financial statements and for being satisfied that they give a true and fair view. We have been appointed as auditors under the Financial Memorandum of the University and also under section 44(1) (c) of the Charities and Trustee Investment (Scotland) Act 2005 and report in accordance with regulations made under that Act. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

### **Scope of the audit of the financial statements**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the groups and the University's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by Court; and the overall presentation of the financial statements

We are also required to report to you whether, in our opinion, funds, from whatever source, administered by the University for specific purposes have, in all material respects, been properly applied to those purposes and managed in accordance with the terms and conditions attached to them and whether income has, in all material respects, been applied in accordance with the relevant legislation and with the Financial Memorandum with the Scottish Funding Council

In addition, we read other information contained in the Report of the University Court, Responsibilities of Court, Corporate Governance Statement and Corporate Sustainability Report and consider whether it is consistent with the audited financial statements. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.



**Opinion on financial statements**

In our opinion the financial statements:

- give a true and fair view of the state of affairs of the University and of the Group as at 31 July 2013, and of the surplus of the Group's income over expenditure and the Group's cash flows for the year then ended;
- have been properly prepared in accordance with the Statement of Recommended Practice: Accounting for Further and Higher Education;
- have been prepared in accordance with the requirements of the Charities and Trustee Investment (Scotland) Act 2005 and the Charities Accounts (Scotland) Regulations 2006 (as amended);

**Opinion on other matters prescribed by applicable regulations**

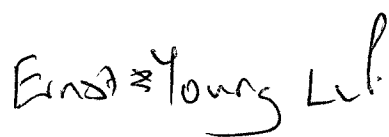
In our opinion;

- funds from the Scottish Funding Council, grants and income for specific purposes and from other restricted funds administered by the University have, in all material respects, been applied only for the purposes for which they were received; and
- income has, in all material respects, been applied in accordance with the Further and Higher Education (Scotland) Act 1992 and, where appropriate, with the Financial Memorandum with the Scottish Funding Council

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

We have nothing to report in respect of the following matters where the Charities Accounts (Scotland) Regulations (as amended) require us to report to you if, in our opinion:

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



**Ernst & Young LLP**  
**Registered auditor**  
**Glasgow**  
**18 October 2013**

Ernst & Young LLP is eligible to act as an auditor in terms of section 1212 of the Companies Act 2006

**STATEMENT OF PRINCIPAL ACCOUNTING POLICIES**  
**For the year ended 31 July 2013**

**Statement of Principal Accounting Policies**

**Basis of preparation**

These financial statements have been prepared in accordance with the Statement of Recommended Practice: Accounting for Further and Higher Education and in accordance with applicable accounting standards.

These financial statements have been prepared under the historical cost convention, as modified by the revaluation of listed and endowment asset investments.

While the Balance Sheet shows net current liabilities, the University believes that it will continue to generate sufficient cash to continue to meet its current liabilities as they fall due.

**Basis of consolidation**

The consolidated financial statements include the University and all material subsidiary undertakings as listed in the notes to the accounts for the financial year to 31 July 2013. Intra-group transactions are eliminated on consolidation. The activities of the Students' Association have not been consolidated as the University does not control these activities.

**Recognition of income**

Income from SFC is recognised in the period for which it is received.

Fee income is stated gross and credited to the income and expenditure account over the period in which students are studying. Where the amount of the tuition fee is reduced via a discount, income receivable is shown net of the discount. Bursaries and scholarships are accounted for gross as expenditure and not deducted from income.

Recurrent income from grants, contracts and other services rendered are accounted for on an accruals basis and included to the extent of the completion of the contract or service concerned; any payments received in advance of such performance are recognised on the balance sheet as liabilities.

Endowment and Investment income is credited to the Income and Expenditure account on a receivable basis. Income from restricted endowments not expended in accordance with the restrictions of the endowment is transferred from the Income and Expenditure Account to restricted endowments. Any realised gains or losses from dealing in the related assets are retained within the endowment in the Balance Sheet.

Non-recurrent grants received in respect of the acquisition or construction of fixed assets are treated as deferred capital grants. Such grants are credited to deferred capital grants and an annual transfer made to the income and expenditure account over the useful economic life of the asset, at the same rate as the depreciation charge on the asset for which the grant was awarded.

Income from the sale of goods or services is credited to the income and expenditure account when the goods or services are supplied to the external customers or the terms of the contract have been satisfied.

Any increase in value arising on the revaluation of fixed asset investments is carried as a credit to the revaluation reserve, via the statement of total recognised gains and losses; a diminution in value is charged to the income and expenditure account as a debit, to the extent that it is not covered by a previous revaluation surplus.

**STATEMENT OF PRINCIPAL ACCOUNTING POLICIES**  
**For the year ended 31 July 2013**

**Agency arrangements**

Funds the University receives and disburses as paying agent on behalf of a funding body are excluded from the income and expenditure account where the University is exposed to minimal risk or enjoys minimal economic benefit related to the transaction.

**Leases and hire purchase contracts**

Costs in respect of operating leases are charged on a straight-line basis over the lease term.

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

**Taxation**

The University of St Andrews is a charity within the meaning of Part 1, chapter 2, s7 of the Charities and Trustee Investment (Scotland) Act 2005, and is considered to pass the tests set out in Paragraph 1 Schedule 6 Finance Act 2010 and therefore it meets the definition of a charitable entity for UK corporation tax purposes. Accordingly, the Institution is potentially exempt from taxation in respect of income or capital gains received within categories covered by section 287 CTA2009 and sections 471, and 478-488 CTA 2010 (formerly s505 of ICTA 1988) or section 256 of the Taxation of Chargeable Gains Act 1992, to the extent that such income or gains are applied to exclusively charitable purposes.

This exemption is not extended to the trading activities of the Group but all trading profits of subsidiaries are transferred to the University by gift-aid.

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

**Land and buildings**

Land and buildings are stated at historic cost.

Costs incurred in relation to a tangible fixed asset, after its initial purchase or production, are capitalised to the extent that they increase the expected future benefits to the University from the existing tangible fixed asset beyond its previously assessed standard of performance; the cost of any such enhancements are added to the gross carrying amount of the tangible fixed asset concerned. The cost of buildings includes related interest.

**Depreciation**

Freehold land is not depreciated.

**STATEMENT OF PRINCIPAL ACCOUNTING POLICIES**  
**For the year ended 31 July 2013**

**Depreciation (Cont'd)**

Freehold buildings are depreciated over their expected useful economic life to the University of between 40 and 50 years. A depreciable asset's anticipated useful economic life is reviewed periodically by an independent expert valuer and the accumulated and future depreciation adjusted in accordance with FRS 15.

Fixtures and fittings are depreciated over their expected useful economic life to the University of 20 years.

Leasehold land and buildings are amortised over the life of the lease.

Assets under construction are not depreciated until the month following the month in which they become available for operational use.

**Donated Assets**

Where it is not possible to obtain a reliable cost or valuation or where the cost of obtaining a valuation is greater than the benefit to the users of the financial statements for inherited or donated assets these assets are not capitalised and are not included on the Balance Sheet.

**Acquisition with the aid of specific grants**

Where buildings are acquired with the aid of specific grants, the grants are capitalised and depreciated. The related grants are credited to a deferred capital grant account and released to the income and expenditure account over the expected useful economic life of the related asset on a basis consistent with the depreciation policy.

**Repairs and maintenance**

Maintenance expenditure is recognised in the income and expenditure account in the period it is incurred. The University has a planned maintenance programme, which is reviewed on an annual basis.

**Equipment**

Equipment costing less than £10,000 is written off in full in the year of acquisition. Capitalised equipment and furnishings are stated at cost and depreciated on a straight line basis over their expected useful lives as follows:

Telecommunications Systems	7 Years
General Furnishings and Equipment	7 Years
IT Equipment	4 Years
Vehicles	4 years

Where equipment is acquired with the aid of a research grant, it is capitalised and depreciated over the life of the grant. The related grant is treated as a deferred capital grant and released to income over the same period.

**Investments**

Listed investments are stated at market value and heritable property investments held as endowment assets are stated at open market value. Unlisted investments are stated at cost less any provision for impairment of their value.

**STATEMENT OF PRINCIPAL ACCOUNTING POLICIES**  
**For the year ended 31 July 2013**

**Stocks**

Stocks for resale and other stocks of material value are included at the lower of their cost or net realisable value. Where necessary a provision is made for obsolete, slow-moving and defective stocks.

**Cash Flows and Liquid Resources**

Cash flows comprise increases or decreases in cash. Cash includes cash in hand, cash at bank, and deposits repayable on demand. Deposits are repayable on demand if they are available within 24 hours without penalty. No other investments, however liquid, are included as cash. Liquid resources include term deposits held as part of the University's treasury management activities. They exclude any such assets held as endowment asset investments.

**Foreign currencies**

Transactions denominated in foreign currencies are recorded at the rate of exchange ruling at the date of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated into sterling at year-end rates. The resulting exchange differences are dealt with in the determination of income and expenditure for the financial year.

**Financial Instruments**

The University uses interest rate swaps to reduce exposure to interest rate movements on long-term debt. Such swaps are not made for speculative purposes and relate to actual assets or liabilities or to probable commitments, changing the nature of the interest rate by converting a fixed rate to a variable rate or vice versa.

**Accounting for charitable donations**

**Unrestricted donations**

Unrestricted charitable donations are recognised in the income and expenditure account when the donation has been received or if, before receipt, there is sufficient evidence to provide the necessary certainty that the donation will be received and the value of the incoming resources can be measured with sufficient reliability.

**Endowment funds**

Where charitable donations are to be retained for the benefit of the University as specified by the donors, these are accounted for as endowments. There are three main types:

- 1. Unrestricted permanent endowments** – where the donor has specified that the fund is to be permanently invested to generate an income stream for the general benefit of the University.
- 2. Restricted expendable endowments** – where the donor has specified a particular objective other than the purchase or construction of tangible fixed assets, and the University can convert the donated sum into income.
- 3. Restricted permanent endowments** – where the donor has specified that the fund is to be permanently invested to generate an income stream to be applied to a particular objective.

**Donations for fixed assets**

Donations received to be applied to the cost of a tangible fixed asset are shown on the balance sheet as a deferred capital grant. The deferred capital grant is released to the income and expenditure account over the same estimated useful life that is used to determine the depreciation charge associated with the tangible fixed asset.

**STATEMENT OF PRINCIPAL ACCOUNTING POLICIES**  
**For the year ended 31 July 2013**

**Gifts in kind**

Gifts in kind are included in 'other income' or 'deferred capital grants' as appropriate using a reasonable estimate of their gross value or the amount actually realised.

**Retirement benefits**

The two principal pension schemes for the University's staff are the Universities Superannuation Scheme (USS) and the University of St Andrews Superannuation and Life Assurance Scheme (S & LAS).

The University participates in the Universities Superannuation Scheme (USS), a defined benefit scheme that is contracted out of the State Second Pension (S2P). The assets of the scheme are held in a separate, trustee-administered fund. Because of the mutual nature of the scheme, the scheme's assets are not hypothecated to individual institutions and a scheme-wide contribution rate is set. The University is therefore exposed to actuarial risks associated with other institutions' employees and is unable to identify its share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis and therefore as required by FRS17 "Retirement Benefits", accounts for the scheme as if it were a defined contribution scheme. As a result, the amount charged to the income and expenditure account represents the contributions payable to the scheme in respect of the accounting period.

The S & LAS scheme is also a defined benefit scheme that is contracted out of the S2P. Assets are held in a separate trustee-administered fund and are measured using market value. The liabilities of the scheme are measured using the projected unit method and discounted at the current rate of return on a high quality corporate bond of equivalent terms and currency to the liability. Any increase in the present values of the liability in the scheme expected to arise from employee service in the period is charged to the income and expenditure account. The expected return on the scheme's assets and the increase during the period in the present value of the scheme's liabilities arising from the passage of time are included in other finance costs, within interest payable or 'investment income' within endowment and investment income. Actuarial gains and losses are reflected in the statement of total recognised gains and losses.

The University continues to make a small and diminishing number of supplementation payments to retired members of the FSSU pension scheme. The liabilities of this scheme can be estimated under FRS17 and have been included in the financial statements.

**Provisions**

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

Contingent liabilities are disclosed by way of a note, when the definition of a provision is not met and includes three scenarios: a possible rather than a present obligation; a possible rather than a probable outflow of economic benefits; an inability to measure the economic outflow.

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

**STATEMENT OF PRINCIPAL ACCOUNTING POLICIES**  
**For the year ended 31 July 2013**

**University Collections and Heritage Assets**

The University holds significant collections comprising art and silver; historical instruments; books and other artefacts which, in 1993 with advice from the University Advisory Committee on Collections and Exhibitions were indicatively valued at £75.3 million. The University holds these collections primarily for its core purpose of teaching and research therefore they do not fall within the definition of heritage assets and are not included in the University's Balance Sheet.

**CONSOLIDATED INCOME AND EXPENDITURE ACCOUNT**  
For the year ended 31 July 2013

	Notes	Year ended 31 July 2013 £000	Year ended 31 July 2012 £000
<b>INCOME</b>			
Funding council grants	1	42,304	40,147
Tuition fees and education contracts	2	63,303	57,249
Research grants and contracts	3	39,201	37,290
Other income	4	36,086	33,744
Endowment & investment income	5	3,004	1,812
<b>Total income</b>		<b>183,898</b>	<b>170,242</b>
<b>EXPENDITURE</b>			
Staff costs	6	102,606	96,320
Other operating expenses		61,617	55,962
Depreciation	9	12,077	11,276
Interest and other finance costs	7	4,673	4,252
<b>Total expenditure</b>	8	<b>180,973</b>	<b>167,810</b>
Operating surplus after depreciation of tangible assets		2,925	2,432
Gain on disposal of fixed assets		876	-
<b>Surplus on continuing operations after depreciation and disposal of assets</b>		<b>3,801</b>	<b>2,432</b>
Surplus for the year transferred to accumulated income in endowment funds	18	1,029	442
<b>Surplus for the year retained within general reserves</b>	19	<b>4,830</b>	<b>2,874</b>

The income and expenditure account is in respect of continuing operations.



**CONSOLIDATED STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES**  
**For the year ended 31 July 2013**

	Notes	Year ended 31 July 2013 £000	Year ended 31 July 2012 £000
<b>Surplus on continuing operations after depreciation of assets, disposal of assets and taxation</b>		3,801	2,432
Appreciation of endowment assets	18	7,443	963
Endowment additions / transfers	18	4,368	2,880
Surplus on revaluation of fixed asset investment	19	108	-
Release from revaluation reserve in year	19	(41)	-
Actuarial gain / (loss) in respect of pension scheme	30	10,869	(11,449)
<b>Total recognised gains / ( losses) relating to the year</b>		<u><u>26,548</u></u>	<u><u>(5,174)</u></u>
 <b>Reconciliation</b>			
Opening reserves and endowments		69,460	74,634
Total recognised gains / (losses) relating to the year		<u>26,548</u>	<u>(5,174)</u>
<b>Closing reserves and endowments</b>		<u><u>96,008</u></u>	<u><u>69,460</u></u>

**BALANCE SHEETS**  
As at 31 July 2013

	Notes	As at 31 July 2013		As at 31 July 2012	
		Consolidated £000	University £000	Consolidated £000	University £000
<b>Fixed assets</b>					
Tangible Assets	9	229,035	223,399	226,821	221,623
Investments	10	154	4,153	141	2,445
		<u>229,189</u>	<u>227,552</u>	<u>226,962</u>	<u>224,068</u>
<b>Endowment assets</b>	11	<u>49,896</u>	<u>49,896</u>	<u>39,114</u>	<u>39,114</u>
<b>Current assets</b>					
Stock	12	794	601	684	588
Debtors	13	17,639	21,538	15,551	19,597
Short term deposits	24	7,127	7,127	10,070	10,070
Cash at bank and in hand	24	19,560	18,784	6,236	5,571
		<u>45,120</u>	<u>48,050</u>	<u>32,541</u>	<u>35,826</u>
Less: Creditors : amounts falling due within one year	14	<u>(56,912)</u>	<u>(58,130)</u>	<u>(47,090)</u>	<u>(47,851)</u>
<b>Net current liabilities</b>		<u>(11,792)</u>	<u>(10,080)</u>	<u>(14,549)</u>	<u>(12,025)</u>
<b>Total assets less current liabilities</b>					
		267,293	267,368	251,527	251,157
Less: Creditors: amounts falling due after more than one year	15	(91,352)	(91,257)	(91,352)	(91,257)
Less: Provision for liabilities	16	(340)	(340)	(229)	(229)
<b>Net assets excluding pension liability</b>		<u>175,601</u>	<u>175,771</u>	<u>159,946</u>	<u>159,671</u>
Net pension liability	30	(18,836)	(18,836)	(30,980)	(30,980)
<b>Total net assets including pension liability</b>		<u>156,765</u>	<u>156,935</u>	<u>128,966</u>	<u>128,691</u>
<b>Deferred capital grants</b>	17	<u>60,757</u>	<u>60,397</u>	<u>59,506</u>	<u>59,136</u>
<b>Endowments</b>					
Expendable	18	3,326	3,326	2,029	2,029
Permanent	18	46,570	46,570	37,085	37,085
		<u>49,896</u>	<u>49,896</u>	<u>39,114</u>	<u>39,114</u>
<b>Reserves</b>					
Income and expenditure account excluding pension reserve	19	64,881	65,411	61,326	61,421
Pension reserve	30	(18,836)	(18,836)	(30,980)	(30,980)
Income and expenditure account including pension reserve		46,045	46,575	30,346	30,441
Revaluation reserve	19	67	67	-	-
		<u>46,112</u>	<u>46,642</u>	<u>30,346</u>	<u>30,441</u>
<b>TOTAL FUNDS</b>		<u>156,765</u>	<u>156,935</u>	<u>128,966</u>	<u>128,691</u>

Approved by the University Court of the University of St Andrews on 18 October 2013 and signed on its behalf by:

Professor Louise Richardson Principal and Vice-Chancellor

Ewan Brown Senior Governor

Andrew Goor Director of Finance

**CONSOLIDATED CASH FLOW STATEMENT**  
For the year ended 31 July 2013

	Notes	Year ended 31 July 2013 £000	Year ended 31 July 2012 £000
<b>Cash flow from operating activities</b>	20	19,603	17,966
Returns on investments and servicing of finance	21	(2,886)	(3,129)
Capital expenditure and financial investment	22	(3,741)	(6,719)
Management of liquid resources	23	2,943	(10,070)
<b>Increase / (decrease) in cash in period</b>		<b>15,919</b>	<b>(1,952)</b>
<b>Reconciliation of net cash flow to movement in net debt</b>			
<b>Increase / (decrease) in cash in period</b>		15,919	(1,952)
Change in short term deposits	24	(2,943)	10,070
<b>Change in net debt</b>	24	12,976	8,118
Net debt at 1 August		(73,943)	(82,061)
<b>Net debt at 31 July</b>	24	<b>(60,967)</b>	<b>(73,943)</b>

NOTES TO THE FINANCIAL STATEMENTS  
For the year ended 31 July 2013

1 FUNDING COUNCIL GRANTS	Year ended 31 July 2013 £000	Year ended 31 July 2012 £000
SFC recurrent teaching grant	17,701	16,662
SFC recurrent research grant	19,831	18,549
Other SFC grants	2,818	3,108
	<u>40,350</u>	<u>38,319</u>
<b>Deferred capital grants released in the year:</b>		
Buildings	17 1,724	1,602
Equipment	17 230	226
	<u><b>42,304</b></u>	<u><b>40,147</b></u>
2 TUITION FEES AND EDUCATION CONTRACTS	Year ended 31 July 2013 £000	Year ended 31 July 2012 £000
Full-time home and EU students	9,198	10,655
RUK (new fee rates)	3,964	-
RUK (old fee rates)	2,750	3,880
Full-time international students	40,811	36,338
Part-time home and EU students	304	221
Part-time international students	97	152
Research training support grants	3,521	3,215
Short course fees	2,361	2,558
Other fees	297	230
	<u><b>63,303</b></u>	<u><b>57,249</b></u>
3 RESEARCH GRANTS AND CONTRACTS	Year ended 31 July 2013 £000	Year ended 31 July 2012 £000
Research Councils	20,789	18,540
UK government bodies, local and health authorities	4,327	3,784
UK based charities	4,531	4,934
UK industry, commerce and public corporations	1,028	1,140
EU government bodies	5,406	4,769
EU other	506	407
Other overseas	3,324	3,366
Other sources	127	78
	<u><b>40,038</b></u>	<u><b>37,018</b></u>
Income deferred to match capitalised purchases	17 (2,483)	(1,663)
Release of deferred capital grant for research	17 1,646	1,935
	<u><b>39,201</b></u>	<u><b>37,290</b></u>

**NOTES TO THE FINANCIAL STATEMENTS**  
For the year ended 31 July 2013

<b>4 OTHER INCOME</b>	<b>Year ended 31 July 2013 £000</b>	<b>Year ended 31 July 2012 £000</b>
Residences, catering and conferences	22,421	22,437
Consultancy, knowledge transfer and cultural engagement	2,670	2,354
Academic conferences	1,261	676
External funding of salaries	1,203	1,011
External funding of activities	1,189	1,437
Distance learning	1,040	1,091
Foreign exchange gains	1,105	213
Sports facility income	631	583
Gifts & donations	517	298
Released from deferred capital grants	17 523	605
Royalty income	374	414
Rent receivable	268	218
Consumables and services recharged to research partner	222	345
Other operating income	2,662	2,062
	<b><u>36,086</u></b>	<b><u>33,744</u></b>

<b>5 ENDOWMENT AND INVESTMENT INCOME</b>	<b>Year ended 31 July 2013 £000</b>	<b>Year ended 31 July 2012 £000</b>
Income from permanent endowments	18 1,372	1,248
Income from short-term investments	415	254
Net return on pension scheme	30 1,217	310
	<b><u>3,004</u></b>	<b><u>1,812</u></b>

<b>6 STAFF COSTS</b>	<b>Year ended 31 July 2013 £000</b>	<b>Year ended 31 July 2012 £000</b>
Staff Costs:		
Salaries	84,352	79,016
Social security costs	6,633	6,282
Other pension costs	11,621	11,022
<b>Total</b>	<b><u>102,606</u></b>	<b><u>96,320</u></b>
<b>Emoluments of Principal</b>	<b>£000</b>	<b>£000</b>
Salary	225	225
Benefits in kind	5	10
Pension contributions to USS	36	36

The University paid tax on the benefit in kind shown

**NOTES TO THE FINANCIAL STATEMENTS**  
For the year ended 31 July 2013

**6 STAFF COSTS (Cont'd)**

	<b>Year ended 31 July 2013</b>	<b>Year ended 31 July 2012</b>
	<b>Number</b>	<b>Number</b>
Remuneration of higher paid staff, excluding employer's pension contributions		
£70,001 - £80,000	45	33
£80,001 - £90,000	36	38
£90,001 - £100,000	26	19
£100,001- £110,000	14	14
£110,001 - £120,000	5	8
£120,001 - £130,000	4	3
£130,001 - £140,000	2	3
£140,001 - £150,000	1	-
£150,001 - £160,000	1	1
£170,001 - £180,000	1	-
£220,001 - £230,000	1	1
	<b>136</b>	<b>120</b>

	<b>Year ended 31 July 2013</b>	<b>Year ended 31 July 2012</b>
	<b>Number</b>	<b>Number</b>
<b>Average staff numbers by major category:</b>		
Academic	980	926
Academic / teaching support services	217	198
Research	351	348
Administration	323	309
Premises	195	194
Catering & residences	236	230
	<b>2,302</b>	<b>2,205</b>

**7 INTEREST AND OTHER FINANCE COSTS**

	<b>Year ended 31 July 2013</b>	<b>Year ended 31 July 2012</b>
	<b>£000</b>	<b>£000</b>
Interest paid to endowments	16	9
Loans repayable wholly or partly in more than five years	4,657	4,243
	<b>4,673</b>	<b>4,252</b>

NOTES TO THE FINANCIAL STATEMENTS  
For the year ended 31 July 2013

8 ANALYSIS OF TOTAL EXPENDITURE BY ACTIVITY	Year ended 31 July 2013 £000	Year ended 31 July 2012 £000
Academic Schools	71,332	65,538
Academic support services	13,783	12,151
Central services	16,423	15,225
Premises	20,633	19,283
Research grants and contracts	29,358	27,149
Residences, catering and conferences	15,221	16,361
Other expenses	14,223	12,103
	<u>180,973</u>	<u>167,810</u>
<b>Other operating expenses include:</b>	<b>£000</b>	<b>£000</b>
External auditors remuneration in respect of audit services	89	69
External auditors remuneration in respect of non-audit services	5	9
Internal audit	83	75
Hire of plant and equipment	173	102
	<u>173</u>	<u>102</u>

9 TANGIBLE FIXED ASSETS

Consolidated Cost	Land & Buildings £000	Assets under Construction £000	Equipment & Furniture £000	Total £000
At 1 August 2012	253,108	6,594	67,777	327,479
Additions	574	10,128	3,709	14,411
Transfers	5,039	(7,633)	2,594	-
Disposals	(22)	-	(99)	(121)
Impairment	-	(98)	-	(98)
At 31 July 2013	<u>258,699</u>	<u>8,991</u>	<u>73,981</u>	<u>341,671</u>
<b>Depreciation</b>				
At 1 August 2012	45,894	-	54,764	100,658
Charge for Year	7,211	-	4,866	12,077
Disposals	-	-	(99)	(99)
At 31 July 2013	<u>53,105</u>	<u>-</u>	<u>59,531</u>	<u>112,636</u>
<b>Net Book Value</b>				
At 31 July 2013	<u>205,594</u>	<u>8,991</u>	<u>14,450</u>	<u>229,035</u>
At 31 July 2012	<u>207,214</u>	<u>6,594</u>	<u>13,013</u>	<u>226,821</u>
Financed by capital grant	53,183	839	4,533	58,555
Other	152,411	8,152	9,917	170,480
Net book value at 31 July 2013	<u>205,594</u>	<u>8,991</u>	<u>14,450</u>	<u>229,035</u>

NOTES TO THE FINANCIAL STATEMENTS  
For the year ended 31 July 2013

**9 TANGIBLE FIXED ASSETS (Cont'd)**

University Cost	Land & Buildings £000	Assets under Construction £000	Equipment & Furniture £000	Total £000
<b>At 1 August 2012</b>	<b>246,542</b>	<b>6,594</b>	<b>66,772</b>	<b>319,908</b>
Additions	554	9,561	3,683	13,798
Transfers	4,481	(7,066)	2,585	-
Disposals	(22)	-	(99)	(121)
Impairment	-	(98)	-	(98)
<b>At 31 July 2013</b>	<b>251,555</b>	<b>8,991</b>	<b>72,941</b>	<b>333,487</b>
<b>Depreciation</b>				
<b>At 1 August 2012</b>	<b>44,520</b>	-	<b>53,765</b>	<b>98,285</b>
Charge for Year	7,040	-	4,862	11,902
Disposals	-	-	(99)	(99)
<b>At 31 July 2013</b>	<b>51,560</b>	-	<b>58,528</b>	<b>110,088</b>
<b>Net Book Value</b>				
<b>At 31 July 2013</b>	<b>199,995</b>	<b>8,991</b>	<b>14,413</b>	<b>223,399</b>
At 31 July 2012	202,022	6,594	13,007	221,623
Financed by capital grant	52,822	839	4,533	58,194
Other	147,173	8,152	9,880	165,205
<b>Net book value at 31 July 2013</b>	<b>199,995</b>	<b>8,991</b>	<b>14,413</b>	<b>223,399</b>

Included within fixed assets is an amount of £3,523,218 (2011/12 - £3,523,218) of capitalised finance costs. Buildings and equipment with a cost of £102.6 million and a net book value of £57.4 million have been financed in part or in whole by Treasury sources. Should these assets be sold the University may have to surrender the relevant proceeds to the Treasury or use them in accordance with the Financial Memorandum with the SFC.

Included in the amounts for Equipment and Furniture above are the following amounts relating to assets acquired under hire purchase contracts:

**Consolidated and University**

	£000
<b>Cost:</b>	
<b>At 1 August 2012</b>	-
Additions	988
<b>At 31 July 2013</b>	<b>988</b>
<b>Depreciation:</b>	
<b>At 1 August 2012</b>	-
Charge for year	82
<b>At 31 July 2013</b>	<b>82</b>
<b>Net book value at 31 July 2013</b>	<b>906</b>
Net book value at 31 July 2012	-



NOTES TO THE FINANCIAL STATEMENTS  
For the year ended 31 July 2013

**10 FIXED ASSET INVESTMENTS**

	Subsidiary Companies £000	Other fixed asset investments £000	Total £000
<b>Consolidated</b>			
At 1 August 2012	-	141	141
Disposal	-	(95)	(95)
Revaluation		108	108
<b>At 31 July 2013</b>	<u>-</u>	<u>154</u>	<u>154</u>
<b>University</b>			
At 1 August 2012	2,304	141	2,445
Additions	1,695	-	1,695
Revaluation	-	108	108
Disposal	-	(95)	(95)
<b>At 31 July 2013</b>	<u>3,999</u>	<u>154</u>	<u>4,153</u>

Other fixed assets include donated shares held for resale, some of which were sold during the year and the proceeds used to endow scholarships.

**11 ENDOWMENT ASSET INVESTMENTS**

	As at 31 July 2013 £000	As at 31 July 2012 £000
<b>Consolidated and University</b>		
<b>Balance as at 1 August</b>	<b>39,114</b>	<b>35,713</b>
Additions	6,905	1,608
Disposals	(5,966)	-
Appreciation	7,443	963
Debtor movement	(195)	2,074
Cash movement	2,595	(1,244)
<b>Balance as at 31 July</b>	<u><b>49,896</b></u>	<u><b>39,114</b></u>
<b>Represented by:</b>		
Fixed Interest Stocks	1,391	155
Investment Property Trusts	-	1,265
Equities	38,754	30,343
Land & Property	900	900
Amounts included within short term deposits	5,295	5,402
Creditors	(142)	(54)
Bank, Building Society & Other Deposits	3,698	1,103
<b>Total Endowment Assets</b>	<u><b>49,896</b></u>	<u><b>39,114</b></u>

**12 STOCKS**

	As at 31 July 2013		As at 31 July 2012	
	Consolidated £000	University £000	Consolidated £000	University £000
Stocks of consumables	<u>794</u>	<u>601</u>	<u>684</u>	<u>588</u>

**NOTES TO THE FINANCIAL STATEMENTS**  
For the year ended 31 July 2013

**13 DEBTORS**

	As at 31 July 2013		As at 31 July 2012	
	Consolidated £000	University £000	Consolidated £000	University £000
<b>Amounts falling due within one year:</b>				
Trade debtors	2,552	1,949	2,512	1,913
Debts due from students	508	508	451	451
Research debt	9,921	9,921	8,391	8,391
Prepayments and accrued income	4,419	4,384	3,963	3,963
Other debtors	239	193	234	226
Amounts due from group undertakings	-	4,583	-	4,653
	<b>17,639</b>	<b>21,538</b>	<b>15,551</b>	<b>19,597</b>

**14 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR**

	As at 31 July 2013		As at 31 July 2012	
	Consolidated £000	University £000	Consolidated £000	University £000
Payments received in advance	18,869	18,869	15,244	15,244
Research grants received on account	17,097	17,097	10,961	10,961
Trade creditors	5,683	5,636	6,478	5,788
Social security and other taxation payable	2,335	2,349	2,575	2,450
Amounts owed to group undertakings	-	1,580	-	1,580
Accruals and deferred income	12,928	12,599	11,832	11,828
	<b>56,912</b>	<b>58,130</b>	<b>47,090</b>	<b>47,851</b>

**15 CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR**

	As at 31 July 2013		As at 31 July 2012	
	Consolidated £000	University £000	Consolidated £000	University £000
Unsecured loan	91,257	91,257	91,257	91,257
Cumulative convertible pref shares	95	-	95	-
	<b>91,352</b>	<b>91,257</b>	<b>91,352</b>	<b>91,257</b>
<b>Analysis of secured and unsecured</b>				
Due between two and five years	1,257	1,257	1,257	1,257
Due in five years or more	90,000	90,000	90,000	90,000
	<b>91,257</b>	<b>91,257</b>	<b>91,257</b>	<b>91,257</b>
Due within one year or on demand	-	-	-	-
Due after more than one year	<b>91,257</b>	<b>91,257</b>	<b>91,257</b>	<b>91,257</b>
Unsecured loans repayable by 2017	1,257	1,257	1,257	1,257
Unsecured loans repayable by 2026	30,000	30,000	30,000	30,000
Unsecured loans repayable by 2048	60,000	60,000	60,000	60,000
	<b>91,257</b>	<b>91,257</b>	<b>91,257</b>	<b>91,257</b>

**Included in loans are the following:**

	Amount £000	Repayments Commence	Interest Rate
Barclays Bank Plc	30,000	2019	5.34%
Barclays Bank Plc	60,000	2039	5.04%

NOTES TO THE FINANCIAL STATEMENTS  
For the year ended 31 July 2013

16 PROVISIONS FOR LIABILITIES

Consolidated & University	Dilap. Provision £000	FSSU Unfunded Pension £000	Early Retirement & Restructuring Provision £000	Total £000
At 1 August 2012	-	32	197	229
Utilised in year	-	(5)	(92)	(97)
Transfer from income and expenditure account	100	-	108	208
<b>At 31 July 2013</b>	<b>100</b>	<b>27</b>	<b>213</b>	<b>340</b>

17 DEFERRED CAPITAL GRANTS

Consolidated	SFC £000	Research Grants £000	Other Grants £000	Total £000
<b>As 1 August 2012</b>				
Buildings	38,712	4,402	12,143	55,257
Equipment	635	2,953	661	4,249
<b>Total</b>	<b>39,347</b>	<b>7,355</b>	<b>12,804</b>	<b>59,506</b>
<b>Grants receivable</b>				
Buildings	2,513	503	776	3,792
Equipment	470	1,980	39	2,489
<b>Total</b>	<b>2,983</b>	<b>2,483</b>	<b>815</b>	<b>6,281</b>
<b>Transfer to endowments</b>				
Buildings	-	-	(907)	(907)
Equipment	-	-	-	-
<b>Total</b>	<b>-</b>	<b>-</b>	<b>(907)</b>	<b>(907)</b>
<b>Released to income and expenditure</b>				
Buildings (notes 1, 3 and 4)	(1,724)	(143)	(408)	(2,275)
Equipment (notes 1, 3 and 4)	(230)	(1,503)	(115)	(1,848)
<b>Total</b>	<b>(1,954)</b>	<b>(1,646)</b>	<b>(523)</b>	<b>(4,123)</b>
<b>At 31 July 2013</b>				
Buildings	39,501	4,762	11,604	55,867
Equipment	875	3,430	585	4,890
<b>Total</b>	<b>40,376</b>	<b>8,192</b>	<b>12,189</b>	<b>60,757</b>

NOTES TO THE FINANCIAL STATEMENTS  
For the year ended 31 July 2013

17 DEFERRED CAPITAL GRANTS (Cont'd)	SFC	Research	Other	Total
University	£000	Grants	Grants	£000
	£000	£000	£000	£000
<b>As 1 August 2012</b>				
Buildings	38,342	4,402	12,143	54,887
Equipment	635	2,953	661	4,249
<b>Total</b>	<b>38,977</b>	<b>7,355</b>	<b>12,804</b>	<b>59,136</b>
<b>Grants receivable</b>				
Buildings	2,513	503	776	3,792
Equipment	470	1,980	39	2,489
<b>Total</b>	<b>2,983</b>	<b>2,483</b>	<b>815</b>	<b>6,281</b>
<b>Transfer to endowments</b>				
Buildings	-	-	(907)	(907)
Equipment	-	-	-	-
<b>Total</b>	<b>-</b>	<b>-</b>	<b>(907)</b>	<b>(907)</b>
<b>Released to income and expenditure</b>				
Buildings (notes 1, 3 and 4)	(1,714)	(143)	(408)	(2,265)
Equipment (notes 1, 3 and 4)	(230)	(1,503)	(115)	(1,848)
<b>Total</b>	<b>(1,944)</b>	<b>(1,646)</b>	<b>(523)</b>	<b>(4,113)</b>
<b>At 31 July 2013</b>				
Buildings	39,141	4,762	11,604	55,507
Equipment	875	3,430	585	4,890
<b>Total</b>	<b>40,016</b>	<b>8,192</b>	<b>12,189</b>	<b>60,397</b>

NOTES TO THE FINANCIAL STATEMENTS  
For the year ended 31 July 2013

**18 ENDOWMENTS**

**Consolidated and University**

	Unrestricted Permanent £000	Restricted Permanent £000	Total Permanent £000	Restricted Expendable £000	2013 Total £000	2012 Total £000
<b>Balances at 1 August</b>						
Capital	3,093	32,932	36,025	2,029	38,054	34,742
Accumulated income	-	1,060	1,060	-	1,060	971
	<b>3,093</b>	<b>33,992</b>	<b>37,085</b>	<b>2,029</b>	<b>39,114</b>	<b>35,713</b>
<b>Additions / Transfers</b>	87	1,811	1,898	2,470	4,368	2,880
Investment income	110	1,262	1,372	-	1,372	1,248
Expenditure	(110)	(1,118)	(1,228)	(1,173)	(2,401)	(1,690)
	-	144	144	(1,173)	(1,029)	(442)
Increase in market value of investments	670	6,773	7,443	-	7,443	963
<b>At 31 July</b>	<b>3,850</b>	<b>42,720</b>	<b>46,570</b>	<b>3,326</b>	<b>49,896</b>	<b>39,114</b>
<b>Represented by:</b>						
Capital	3,850	41,516	45,366	3,326	48,692	38,054
Accumulated Income	-	1,204	1,204	-	1,204	1,060
	<b>3,850</b>	<b>42,720</b>	<b>46,570</b>	<b>3,326</b>	<b>49,896</b>	<b>39,114</b>
<b>Analysis by type of Purpose</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Chairs and Lectureships	-	10,695	10,695	470	11,165	9,402
Academic School/Unit	-	5,651	5,651	1,340	6,991	5,258
Scholarships and Bursaries	-	25,391	25,391	1,058	26,449	20,316
Prizes	-	983	983	42	1,025	834
General	3,850	-	3,850	-	3,850	3,093
Other	-	-	-	416	416	211
	<b>3,850</b>	<b>42,720</b>	<b>46,570</b>	<b>3,326</b>	<b>49,896</b>	<b>39,114</b>

Included within endowments are a number of permanent restricted funds with a deficit of accumulated income as at 31 July 2013. These comprise of 42 individual funds with a combined deficit balance of £0.1 million (2011/12 - 47 funds with a total combined deficit of £0.1 million). The University closely monitors funds in a deficit position and expects them to return to an accumulated income position over future years.

**NOTES TO THE FINANCIAL STATEMENTS**  
For the year ended 31 July 2013

**18 ENDOWMENTS (Cont'd)**

**Charitable funds that are over 1% of the value of total endowment funds**

Name of Fund	At 1 August 2012	New / Additions	Change in market value	Realised appreciation	Exchange Rate Movement	Income	Expenditure	At 31 July 2013
	£000	£000	£000	£000	£000	£000	£000	£000
United College Chairs Fund	5,464	-	1,039	180	-	221	(221)	6,683
Lapsed Bursaries Fund	3,343	-	795	110	-	133	(216)	4,165
General Unrestricted Fund	2,225	-	418	73	-	84	(84)	2,716
Ransome Scholarships Bequest	1,866	-	6	-	(7)	157	(157)	1,865
Maitland Ramsay PG Scholarship	1,039	-	138	31	-	37	(18)	1,227
D. & G. Bonnyman Scholarship	989	-	219	-	-	7	(6)	1,209
PhD Studentships (Anonymous)	-	1,014	45	-	-	2	-	1,061
Prof & Mrs Purdie Bequest	1,004	-	73	3	-	30	(45)	1,065
Gifford Bequest	765	-	82	22	-	27	(4)	892
Moncrieff Travelling Scholarship	551	85	116	-	-	4	-	756
John & Aileen Irving Fund	621	-	108	20	-	25	(20)	754
St Mary's Anniversary Appeal	554	1	5	16	-	20	(11)	585
600 <sup>th</sup> Anniversary Endow Fund	364	180	72	12	-	15	(15)	628
Harold Mitchell Fellowship	507	-	14	16	-	19	-	556
The R&A International Scholarship	-	500	114	-	-	2	(5)	611
Guthrie Mortification Scholarship	496	-	111	16	-	20	(39)	604
Ottakar Sykora Scholarship Fund	464	-	77	14	-	17	(15)	557
Don Scholarship	432	-	66	14	-	17	-	529
Ronald M Smith Trust	391	12	83	-	-	3	-	489
	21,075	1,792	3,581	527	(7)	840	(856)	26,952

NOTES TO THE FINANCIAL STATEMENTS  
For the year ended 31 July 2013

**19 MOVEMENT ON RESERVES**

	Consolidated £000	University £000
<b>Income and expenditure account</b>		
At 1 August 2012	61,326	61,421
Surplus retained for the year	4,830	5,265
Transfer to pensions liability reserve	(1,275)	(1,275)
<b>At 31 July 2013</b>	<b>64,881</b>	<b>65,411</b>
<b>Pension Reserve</b>	<b>£000</b>	<b>£000</b>
At 1 August 2012	(30,980)	(30,980)
Actuarial gain	10,869	10,869
Transfer from income and expenditure account	1,275	1,275
<b>At 31 July 2013</b>	<b>(18,836)</b>	<b>(18,836)</b>
<b>Revaluation Reserve:</b>	<b>£000</b>	<b>£000</b>
At 1 August 2012	-	-
Revaluation in the year	108	108
Release to income and expenditure in year	(41)	(41)
<b>As at 31 July 2013</b>	<b>67</b>	<b>67</b>

**20 RECONCILIATION OF CONSOLIDATED OPERATING SURPLUS TO NET CASH FLOW FROM OPERATING ACTIVITIES**

	Year ended 31 July 2013 £000	Year ended 31 July 2012 £000
Surplus after depreciation and disposal of assets	3,801	2,432
Depreciation	12,077	11,276
Deferred capital grants released to income	(4,123)	(4,368)
Deferred grant transferred to endowments	(907)	-
Investment income	(3,004)	(1,812)
Profit on disposal of tangible fixed assets	(876)	-
Impairment of tangible fixed assets	98	451
Impairment of investments	-	247
Interest payable	4,673	4,252
Increase in stocks	(110)	(211)
(Increase) / decrease in debtors	(2,088)	2,385
Increase in creditors	10,009	3,852
Increase / (decrease) in provisions	111	(199)
Pension costs less contributions payable	(58)	(339)
<b>Net cash inflow from operating activities</b>	<b>19,603</b>	<b>17,966</b>

**21 RETURNS ON INVESTMENTS AND SERVICING OF FINANCE**

	Year ended 31 July 2013 £000	Year ended 31 July 2012 £000
Income from endowments	1,372	1,248
Other interest received	415	254
Interest paid	(4,673)	(4,631)
	<b>(2,886)</b>	<b>(3,129)</b>

**NOTES TO THE FINANCIAL STATEMENTS**  
For the year ended 31 July 2013

<b>22 CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT</b>	<b>Year ended 31 July 2013 £000</b>	<b>Year ended 31 July 2012 £000</b>
Payments made to acquire tangible fixed assets	(14,411)	(12,349)
Proceeds from sale of tangible fixed assets	852	-
Proceeds from sales of fixed asset investments	108	-
Payments to acquire endowment assets	(6,905)	(1,608)
Receipts from sales of endowment asset investments	5,966	-
Deferred capital grants received	6,281	4,359
Endowments received	4,368	2,879
	<u><b>(3,741)</b></u>	<u><b>(6,719)</b></u>

<b>23 MANAGEMENT OF LIQUID RESOURCES</b>	<b>Year ended 31 July 2013 £000</b>	<b>Year ended 31 July 2012 £000</b>
Decrease / (increase) in short term deposits	2,943	(10,070)
	<u><b>2,943</b></u>	<u><b>(10,070)</b></u>

<b>24 ANALYSIS OF CHANGE IN NET DEBT</b>	<b>At 1 August 2012 £000</b>	<b>Cash Flows £000</b>	<b>At 31 July 2013 £000</b>
Cash at bank and in hand	6,236	13,324	19,560
Endowment cash	1,103	2,595	3,698
	<u><b>7,339</b></u>	<u><b>15,919</b></u>	<u><b>23,258</b></u>
Short term investments	10,070	(2,943)	7,127
Debt due after one year	(91,257)	-	(91,257)
Preference Shares	(95)	-	(95)
<b>Net Debt</b>	<u><b>(73,943)</b></u>	<u><b>12,976</b></u>	<u><b>(60,967)</b></u>

**25 CAPITAL AND OTHER COMMITMENTS**  
**Consolidated and University**

Provision has not been made for the following capital commitments at 31<sup>st</sup> July 2013

	<b>As at 31 July 2013</b>		<b>As at 31 July 2012</b>	
	<b>Consolidated £000</b>	<b>University £000</b>	<b>Consolidated £000</b>	<b>University £000</b>
Commitments contracted for	13,371	13,371	1,230	1,230
Authorised but not contracted for	676	676	7,563	7,563
	<u><b>14,047</b></u>	<u><b>14,047</b></u>	<u><b>8,793</b></u>	<u><b>8,793</b></u>



**NOTES TO THE FINANCIAL STATEMENTS**  
For the year ended 31 July 2013

**26 LEASE OBLIGATIONS**

Amounts due under hire purchase contracts:

<b>Consolidated and University</b>	<b>As at 31 July 2013</b>	<b>As at 31 July 2012</b>
Operating leases which expire:	<b>£000</b>	<b>£000</b>
Within one year	412	-
In two to five year	-	-
In over five years	-	-
	<u>412</u>	<u>-</u>

Annual commitments under non-cancellable operating leases are as follows:

<b>Consolidated and University</b>	<b>Land and Buildings</b>		<b>Other</b>	
	<b>As at 31 July 2013</b>	<b>As at 31 July 2012</b>	<b>As at 31 July 2013</b>	<b>As at 31 July 2012</b>
Operating leases which expire:	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Within one year	27	27	4	4
In two to five year	47	44	137	33
In over five years	52	52	-	-
	<u>126</u>	<u>123</u>	<u>141</u>	<u>37</u>

**27 POST BALANCE SHEET EVENTS**

There were no significant post balance sheet events.

NOTES TO THE FINANCIAL STATEMENTS  
For the year ended 31 July 2013

**28 AMOUNTS DISBURSED AS AN AGENT**  
**Consolidated and University**

	Year ending 31 July 2013	Year ending 31 July 2012
<b>Discretionary fund</b>		
<b>Income</b>	<b>£000</b>	<b>£000</b>
Excess of income over spend at 1 August	1	29
Funding Council grants	338	303
Interest earned	-	-
	<u>339</u>	<u>332</u>
<b>Expenditure</b>		
Disbursed to students	(337)	(331)
Fund running cost	(2)	-
	<u>(339)</u>	<u>(331)</u>
Excess of income over expenditure at 31 July	<u>-</u>	<u>1</u>
	<b>£000</b>	<b>£000</b>
<b>Childcare fund</b>		
<b>Income</b>		
Excess of income over spend at 1 August	-	2
Funding Council grants	22	22
Interest earned	-	-
	<u>22</u>	<u>24</u>
<b>Expenditure</b>		
Disbursed to students	(22)	(23)
Fund running cost	-	(1)
	<u>(22)</u>	<u>(24)</u>
Excess of income over expenditure at 31 July	<u>-</u>	<u>-</u>

HE bursaries and other student support funds are available solely to assist students: the University acts only as a paying agent. The grants and related disbursements are excluded from the Income and Expenditure Account.

## 29 DISCLOSURE OF RELATED PARTY TRANSACTIONS

Due to the nature of the University's activities and the composition of Court (being drawn from public and private sector organisations) transactions may take place with organisations in which a member of Court may have an interest. From time to time, as supporters of the University, Court members may make donations of varying amounts to assist the University in achieving its goals. All transactions involving organisations in which a member of Court may have an interest are conducted at arm's length and in accordance with the University's financial regulations and normal procurement procedures.

## 30 PENSION ARRANGEMENTS

The University contributes to two pension schemes for its staff.

### **Universities Superannuation Scheme (U.S.S.)**

The Universities Superannuation Scheme (USS) is a UK-wide defined benefit scheme which is contracted out of the State Second Pension (S2P). The assets of the scheme are held in a separate trustee-administered fund – Universities Superannuation Scheme Ltd.

The appointment of directors to the board of the trustee is determined by the trustee company's Articles of Association. Four of the directors are appointed by Universities UK; three are appointed by the University and College Union, of whom at least one must be a USS pensioner member; and a minimum of two and a maximum of five are independent directors appointed by the board. Under the scheme trust deed and rules, the employer contribution rate is determined by the trustee, acting on actuarial advice.

The latest triennial actuarial valuation of the scheme was at 31 March 2011. This was the second valuation for USS under the new scheme-specific funding regime introduced by the Pensions Act 2004, which requires schemes to adopt a statutory funding objective, which is to have sufficient and appropriate assets to cover their technical provisions. The actuary also carries out regular reviews of the funding levels. In particular, he carries out a review of the funding level each year between triennial valuations and details of his estimate of the funding level at 31 March 2013 are also included in this note.

The triennial valuation was carried out using the projected unit method. The assumptions which have the most significant effect on the result of the valuation are those relating to the rate of return on investments (i.e. the valuation rate of interest), the rates of increase in salary and pensions and the assumed rates of mortality. The financial assumptions were derived from market yields prevailing at the valuation date. An "inflation risk premium" adjustment was also included by deducting 0.3% from the market-implied inflation on account of the historically high level of inflation implied by government bonds (particularly when compared to the Bank of England's target of 2% for CPI which corresponds broadly to 2.75% for RPI per annum).

To calculate the technical provisions, it was assumed that the valuation rate of interest would be 6.1% per annum, salary increases would be 4.4% annum (with short term general pay growth at 3.65% per annum and an additional allowance for increases in salaries due to age and promotion reflecting the historic scheme experience, with a further cautionary reserve on top for past service liabilities) and pensions would increase by 3.4% per annum for 3 years following the valuation, then 2.6% per annum thereafter.

**NOTES TO THE FINANCIAL STATEMENTS**  
**For the year ended 31 July 2013**

**30 PENSION ARRANGEMENTS (Cont'd)**

Standard mortality tables were used as follows:

Male members' mortality	SINA ["light"] YoB tables – no age rating
Female members' mortality	SINA ["light"] YoB tables – rated down one year

Use of these mortality tables reasonably reflects the actual USS experience but also provides an element of conservatism to allow for further improvements in mortality rates. The CMI 2009 projections with a 1.25% pa long term rate were also adopted. The assumed life expectations on retirement at age 65 are:

Males (females) currently aged 65	23.7 (25.6) years
Males (females) currently aged 45	25.5 (27.6) years

At the valuation date, the value of the assets of the scheme was £32,434 million and the value of the scheme's technical provision was £35,344 million indicating a shortfall of £2,910 million. The assets therefore were sufficient to cover 92% of the benefits which had accrued to members after allowing for expected future increases in earnings.

The actuary also valued the scheme on a number of other bases as at the valuation date. On the scheme's historic gilts basis, using a valuation rate of interest in respect of past service liabilities of 4.4% per annum (the expected return on gilts) the funding level was approximately 68%. Under the Pension Protection Fund regulations introduced by the Pensions Act 2004, the scheme was 93% funded; on a buy-out basis (i.e. assuming the Scheme had discontinued on the valuation date) the assets would have been approximately 57% of the amount necessary to secure all the USS benefits with an insurance company; and using the FRS17 formula as if USS was a single employer scheme, using a AA bond discount rate of 5.5% per annum based on spot yields, the actuary estimated that the funding level at 31 March 2011 was 82%.

As part of this valuation, the trustees have determined, after consultation with the employers, a recovery plan to pay off the shortfall by 31 March 2021. The next formal triennial actuarial valuation is at 31 March 2014. If experience up to that date is in line with the assumptions made for this current actuarial valuation and contributions are paid at the determined rates or amounts, the shortfall at 31 March 2014 is estimated to be £2.2 billion, equivalent to a funding level of 95%. The contribution rate will be reviewed as part of each valuation and may be reviewed more frequently.

The technical provisions relate essentially to the past service liabilities and funding levels, but it is also necessary to assess the on-going cost of newly accruing benefits. The cost of future accrual was calculated using the same assumptions as those used to calculate the technical provisions but the allowance for promotional salary increases was not as high. Analysis has shown very variable levels of growth over and above general pay increases in recent years, and the salary growth assumption built into the cost of future accrual is based on more stable, historic salary experience. However when calculating the past service liabilities of the scheme, a cautionary reserve has been included, in addition, on account of the variability mentioned above.

As at the valuation date, the scheme was still a fully Final Salary Scheme for future accruals and the prevailing employer contribution rate was 16% of Salaries.

Following UK government legislation, from 2011 statutory pension increases or revaluations are based on the Consumer Prices Index measure of price inflation. Historically these increases had been based on the Retail Prices Index measure of price inflation.

**NOTES TO THE FINANCIAL STATEMENTS**  
**For the year ended 31 July 2013**

**30 PENSION ARRANGEMENTS (Cont'd)**

Since the previous valuation as at 31 March 2008 there have been a number of changes to the benefits provided by the scheme although these became effective from October 2011. They include:

*New entrants*

Other than in specific, limited circumstances, new entrants are now provided on a Career Revalued Benefits (CRB) basis rather than a Final Salary (FS) basis.

*Normal pension age*

The normal pension age was increased for future service and new entrants, to age 65.

*Flexible retirement*

Flexible retirement options were introduced

*Member contributions increased*

Contributions were uplifted to 7.5% p.a. and 6.5% p.a. for FS Section members and CRB section members respectively.

*Cost Sharing*

If the total contribution level exceeds 23.5% of salaries per annum, the employers will pay 65% of the excess over 23.5% and members would pay the remaining 35% to the fund as additional contributions.

*Pension increase cap*

For service derived after 30 September 2011, USS will match increases in official pensions for the first 5%. If official pensions increase by more than 5% then USS will pay half of the difference up to a maximum increase of 10%.

The actuary has estimate that the funding level as at 31 March 2013 under the scheme specific funding regime had fallen from 92% to 77%. This estimate is based on the results from the valuation at 31 March 2011 allowing primarily for investment returns and changes in market conditions. These are cited as the two most significant factors affecting the funding positions which have been taken into account for the 31 March 2013 estimation.

On the FRS17 basis using an AA bond discount rate of 4.2% per annum based on spot yields, the actuary estimated that the funding level at 31 March 2013 was 68%. An estimate of the funding level measured on a historic gilts basis at that date was approximately 55%.

**NOTES TO THE FINANCIAL STATEMENTS**  
For the year ended 31 July 2013

**30 PENSION ARRANGEMENTS (Cont'd)**

Surpluses or deficits which arise at future valuations may impact on the institution's future contribution commitment. A deficit may require additional funding in the form of higher contribution requirements, where a surplus could, perhaps be used to similarly reduce contribution requirements. The sensitivities regarding the principal assumptions used to measure the scheme liabilities on a technical provisions basis as at the date of the last triennial valuation are set out below:

<b>Assumption</b>	<b>Change in Assumption</b>	<b>Impact on shortfall</b>
Investment Return	Decrease by 0.25%	Increase by £1.6 billion
The gap between RPI and CPI	Decrease by 0.25%	Increase by £1.0 billion
Rate of salary growth	Increase by 0.25%	Increase by £0.6 billion
Members live longer than assumed	1 year longer	Increase by £0.8 billion
Equity markets in isolation	Fall by 25%	Increase by £4.6 billion

The USS is a 'last man standing' scheme so that in the event of the insolvency of any of the participating employers in the USS, the amount of any pension funding shortfall (which cannot be otherwise recovered) in respect of that employer will be spread across the remaining participant employers and reflected in the next actuarial valuation of the scheme.

The Trustees believe that over the long-term, equity investment and investment in selected alternative asset classes will provide superior returns to other investment classes. The management structure and targets set are designed to give the fund a major exposure to equities through portfolios that are diversified both geographically and by sector. The Trustees recognise that, putting the issue of the USS fund's size and scale to one side for a moment, it might be theoretically possible to select investments producing income flows broadly similar to the estimated liability cash flows. However in order to meet the long-term funding objective within a level of contributions that it considers sponsoring employers would be willing and able to make, it is necessary and appropriate for the trustee to take on a degree of investment risk relative to the liabilities. This taking of investment risk seeks to target a greater return than the matching assets would provide whilst maintaining a prudent approach to meeting the fund's liabilities. Before deciding what degree of investment risk to take relative to the liabilities, the Trustee receives advice from its internal investment team, its investment consultant and the scheme actuary, and importantly considers the ability of sponsoring employers to support the scheme if the investment strategy does not deliver the expected returns.

The positive cash flow of the scheme means that it is not necessary to realise investments to meet liabilities and the scheme actuary has confirmed that this is likely to remain the position for the next ten years or more. The Trustee believes that this, together with the on-going flow of new entrants in the scheme and most critically the ability of the employers to provide additional support to the scheme should additional contributions be required, enables it to take a longer term view of its investments. Some short-term volatility in returns can be tolerated and need not feed directly through to the contribution rate. However, the Trustee is mindful of the difficult economic climate which exists for defined benefit pensions schemes currently, and the need to be clear about the responses that are available should the deficits persist and a revised recovery plan become necessary following the next actuarial valuation of the scheme as at March 2014. The Trustee is making preparations ahead of the next valuation to compile a formal financial management plan, which will bring together – in an integrated form – the various funding strands of covenant strength, investment strategy and funding assumptions, in line with the latest advice from the Pensions Regulator.

**NOTES TO THE FINANCIAL STATEMENTS**  
For the year ended 31 July 2013

**30 PENSION ARRANGEMENTS (Cont'd)**

At 31 March 2013, USS had over 148,000 active members and the University had 1,229 members participating in the scheme.

The total USS pension cost for the University was £8.863 million (2011/12 - £8.411 million). This includes £0.775 million (2011/12 - £0.719 million) of outstanding contributions at the balance sheet date. The contribution rate payable by the University was 16% of pensionable salaries. Employees' regular contributions were £4.101 million (2011/12 - £3.834 million) and £0.452 million (2011/12 £0.424 million) in respect of additional voluntary contributions.

**St Andrews University Superannuation & Life Assurance Scheme**

This is a defined benefit scheme primarily for the benefit of non-academic University staff. It is externally funded and contracted out. The assets of the scheme are held in a separate trustee administered fund. The University is required to account for the present value of the scheme assets and liabilities on its balance sheet. A full actuarial valuation of the scheme was carried out at 31 July 2012 and updated to 31 July 2013 by a qualified independent actuary. The major assumptions used by the actuary, on the Projected Unit method, were:

	<b>Year ended 31 July 2013</b>	<b>Year ended 31 July 2012</b>	<b>Year ended 31 July 2011</b>
Rate of increase in salaries	3.75%	3.50%	4.60%
Rate of increase in benefits accruing prior to 6 April 2006	3.25%	2.60%	3.60%
Rate of increase in benefits accruing from 6 April 2006	2.15%	1.90%	2.50%
Discount Rate	4.7%	4.10%	5.40%
Inflation assumption	3.25%	2.50%	3.60%

The current mortality assumptions include sufficient allowance for future mortality improvements in mortality rates. The assumed life expectancies on retirement at age 65 are:

	<b>As at 31 July 2013</b>	<b>As at 31 July 2012</b>
	<b>Years</b>	<b>Years</b>
<b>Retiring today:</b>		
Males	21.9	20.8
Females	24.2	23.4
<b>Retiring in 20 years:</b>		
Males	23.6	22.7
Females	26.2	25.3

The fair value of the assets of the scheme and the expected rate of return are:

	<b>Long term rate of return expected at 31 July 2013</b>	<b>Value at 31 July 2013 £000</b>	<b>Long term rate of return expected at 31 July 2012</b>	<b>Value at 31 July 2012 £000</b>	<b>Long term rate of return expected at 31 July 2011</b>	<b>Value at 31 July 2011 £000</b>
Equities	7.75%	51,224	8.0%	41,059	7.5%	41,084
Alternatives	7.75%	23,406	8.0%	20,283	7.5%	20,236
Cash	3.3%	149	2.7%	123	3.6%	-
		<b>74,779</b>		<b>61,465</b>		<b>61,320</b>

NOTES TO THE FINANCIAL STATEMENTS  
For the year ended 31 July 2013

**30 PENSION ARRANGEMENTS (Cont'd)**

The following amounts were measured in accordance with the requirements of FRS17:

	As at 31 July 2013 £000	As at 31 July 2012 £000
Total fair value of scheme assets	74,779	61,465
Present value of scheme liabilities	<u>(93,615)</u>	<u>(92,445)</u>
<b>Deficit in scheme - Net pension liability</b>	<b><u>(18,836)</u></b>	<b><u>(30,980)</u></b>
 <b>Changes in the fair value of scheme assets</b>		
Opening fair value of scheme assets	61,465	61,320
Expected return	4,939	4,640
Actuarial gains / (losses)	7,691	(5,644)
Contributions by employer	4,020	3,739
Contributions by members	41	33
Benefits paid	<u>(3,377)</u>	<u>(2,623)</u>
<b>Closing fair value of scheme assets</b>	<b><u>74,779</u></b>	<b><u>61,465</u></b>
 <b>Changes in the present value of the defined benefit liabilities</b>		
Opening defined benefit liability	92,445	81,500
Service Cost	3,962	3,400
Employee contributions	41	33
Interest Cost	3,722	4,330
Actuarial (gains) / losses	(3,178)	5,805
Benefits paid	<u>(3,377)</u>	<u>(2,623)</u>
<b>Closing defined benefit liability</b>	<b><u>93,615</u></b>	<b><u>92,445</u></b>
 <b>Amounts charged to income and expenditure account:</b>		
Current service cost	<u>3,962</u>	<u>3,400</u>
<b>Total operating charge</b>	<b><u>3,962</u></b>	<b><u>3,400</u></b>
 <b>Net finance return / (charge) on pension scheme</b>		
Expected return on pension scheme assets	4,939	4,640
Interest on pension scheme liabilities	<u>(3,722)</u>	<u>(4,330)</u>
<b>Net credit to financing cost</b>	<b><u>1,217</u></b>	<b><u>310</u></b>



NOTES TO THE FINANCIAL STATEMENTS  
For the year ended 31 July 2013

**30 PENSION ARRANGEMENTS (Cont'd)**

Amounts recognised in the statement of total recognised gains and losses	Year ended 31 July 2013 £000	Year ended 31 July 2012 £000
Gain / (loss) on scheme assets	7,691	(5,645)
Experience gain / (loss) arising on scheme liabilities	899	(1,740)
Changes in assumptions underlying the present value of scheme liabilities	2,279	(4,064)
<b>Actuarial gain / (loss) recognised in statement of total recognised gains and losses</b>	<b>10,869</b>	<b>(11,449)</b>

The total movement in the scheme's deficit during the year is made up as follows:

	Year ended 31 July 2013 £000	Year ended 31 July 2012 £000
<b>Deficit on scheme at 1 August</b>	(30,980)	(20,180)
<i>Movement in year:</i>		
Current service cost	(3,962)	(3,400)
Contributions	4,020	3,739
Other finance income	1,217	310
Actuarial gain / (loss)	10,869	(11,449)
<b>Deficit on scheme at 31 July</b>	<b>(18,836)</b>	<b>(30,980)</b>

The University has contributed to the scheme at the following rates of pensionable salary:

	Year ended 31 July 2013	Year ended 31 July 2012
	20.23%	20.23%

History of experience gains and (losses)	2013	2012	2011	2010	2009
<b>Difference between the expected and actual return on scheme assets</b>					
Amount (£000)	7,690	(5,645)	3,920	3,850	(4,910)
Percentage of scheme assets	10.3%	9.2%	6.5%	7.4%	11.2%
<b>Experience gains and losses on scheme liabilities</b>					
Amount (£000)	900	(1,740)	270	1,940	380
Percentage of the present value of the scheme liabilities	1%	1.9%	0.6%	2.6%	0.6%
<b>Total amount in the statement of total recognised gains and losses</b>					
Amount (£000)	10,869	(11,449)	790	(110)	(3,230)
Percentage of the present value of the scheme liabilities	11.6%	12.4%	1.0%	0.2%	4.9%

**NOTES TO THE FINANCIAL STATEMENTS**  
For the year ended 31 July 2013

**31 SUBSIDIARY COMPANIES**

<i>Company</i>	<i>Country of incorporation</i>	<i>Activity</i>
St Andrews University Services Ltd*	Scotland	Vacation letting
University of St Andrews Gateway Ltd*	Scotland	Property development
Saint Sports Services Ltd*	Scotland	Sports Services
St Andrews Applied Research Ltd*	Scotland	Applied Research
University of St Andrews Shop Ltd	Scotland	Retail
Photosynergy Ltd	Scotland	Laser Lighting
SOI Group Ltd	Scotland	Marine Science
SMRU Ltd	Scotland	Marine Science
SOI Ltd	Scotland	Marine Science
St Andrews Instrumentation Ltd	Scotland	Marine Science
SMRU (Hong Kong) Ltd	Hong Kong	Marine Science
SMRU (Canada) Ltd	Canada	Marine Science
SMRU LLC	USA	Marine Science
StAAR Inc	USA	Applied Research

\* Owned directly by the University of St Andrews

**32 COLLECTIONS**

The University holds extensive collections of assets primarily for the purposes of transferring knowledge and promoting culture which are not disclosed on its Balance Sheet, as outlined in its Accounting Policies. The overall collection, which is managed as a number of smaller distinct collections, is fully registered with the Museums, Libraries and Archives Council. Three of the distinct collections have been formally recognised by the Scottish Government as being 'collections of national significance for Scotland'.

The collections include Art and Silver, historical instruments, monuments (historical photographs etc), furniture and furnishings, books (rare volumes and manuscripts) along with a wide range of historical artefacts.

The University does not charge for admission to view its collections which it displays to the general public via its website, the Museum of the University of St Andrews (MUSA), the Bell Pettigrew Museum, the Gateway Galleries, the Library and throughout the University estate.