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Our vision and purpose

Our graduates, and the knowledge we discover with our partners, make the world a better place.

As a world-leading research-intensive University, we are here to address tomorrow's greatest challenges.

Between now and 2030 we will do that with a values-led approach to teaching, research and innovation, and through the strength of our relationships, both locally and globally.

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Our values at a glance

We aim to achieve excellence in all that we do, always being principled, considerate and respectful.

Our teaching and research is relevant to society and we are diverse, inclusive and accessible to all.



We are ambitious, bold and act with integrity, always being willing to listen.

We foster a welcoming community, where staff, students, alumni and friends feel proud to be part of our University.

We celebrate and strengthen our deep-rooted and distinctive internationalism, attracting the world's best minds and building innovative global partnerships for research, teaching and impact.

We sustain a deep allegiance and commitment to the interests of the city and region in which we are based, alongside our national and international efforts, ensuring relevance to all.



We are a place of transformation and of self-improvement, driven to achieve benefit for individuals, communities, societies and our world.

City Deal

The Bayes Centre opened in October 2018 and already has over 20 public and private industry partners in residence, working alongside students and academics.

University world league table position*

QS	20th
THE	30th

*Sources: QS World University Rankings 2018/19 and Times Higher Education World University Rankings 2018/19.

11.4%

Our percentage of full-time Scottish undergraduate entrants in 2019/20 from MD20 and MD40 categories in the Scottish Index of Multiple Deprivation.

Total research income (£m)*

2018/19	286
2017/18	280
2016/17	265
2015/16	254
2014/15	231

*Excluding exceptional items.

Highlights of 2019

Total income (£m)*

2019	1,102
2018	984
2017	929
2016	889
2015	825

Student numbers including Online Distance Learning

2019	43,380
2018	41,312
2017	39,575
2016	37,510
2015	35,255

Endowment fund value (£m)

2019	460
2018	424
2017	392
2016	343
2015	315

Capital expenditure (£m)

2019	145
2018	186
2017	188
2016	136

11.9%

Total income grew by 11.9 per cent year on year.

5.5%

Operating surplus for reinvestment is equal to 5.5 per cent of total income.**

46%

The proportion of the University's students from outside the UK was 46 per cent in 2018/19.

8.2%

The University's annual return on its endowment fund was 8.2 per cent.

£1.4bn

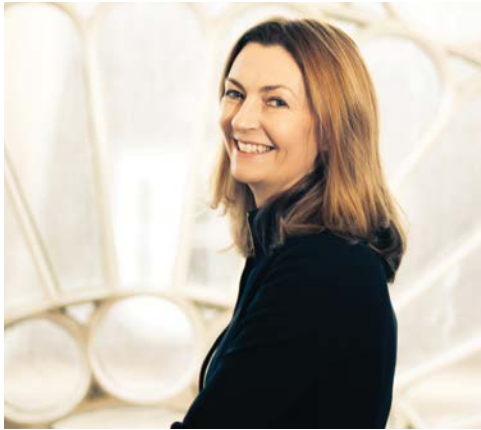
The University's capital programme will see £1.4bn investment in the next ten years. The drop in expenditure in 2018/19 is a reflection of project phasing and timing.

* Excluding exceptional items.

** Surplus after excluding non-cash staff costs relating to pensions.



Vice-Convener of Court's introduction



Anne Richards
Vice-Convener of Court

This year marks the first full year in post for our Principal and Vice-Chancellor, Peter Mathieson. Working with our students, staff, alumni and other stakeholders, he has laid out a clear vision for the future, which builds on the strength of our global reputation for research while increasing our focus on excellence in teaching and widening participation.

“...we are wholly committed to creating a more sustainable world through our research, teaching and day-to-day operations. ”

Despite the political turbulence of recent months, and the many challenges faced by the higher education sector now and in the coming years, our community has embraced this vision wholeheartedly and is in a sound financial position to deal with the uncertainty.

This year our revenue exceeded £1.1bn and we delivered a positive operating surplus for reinvestment in University activities.

Over the next few years, we will invest £1.4bn to transform our teaching spaces, research facilities and student accommodation. Of course, plans on this scale require financial discipline, a subject I reported on last year in the context of our improved cash forecasting and budgeting processes which enabled us to make changes to our risk appetite. Also important is the impact of our plans on our environment and local community. With its strong sustainability focus, our estates strategy chimes with the University's wider strategic priorities, which are aligned with the United Nations Sustainable Development Goals.

We are committed to creating a more sustainable world through our research, teaching and day-to-day operations. This year, we have reaffirmed our commitment to be carbon neutral by 2040 and are on track to halve our carbon emissions – relative to our expenditure – by 2025, compared with 2007/8 levels. We are also reviewing options that include low carbon heating in our buildings to help meet the 2040 target.

Creating a welcoming, sustainable campus that supports our ethos of inquiry, innovation and collaboration is also vital if we are to improve student and staff satisfaction.

A detailed plan to enhance the quality of the student experience – with its important linkage to staff satisfaction – is underway. It includes a review of our personal tutor scheme; measures to improve how we reward excellence in teaching; a prioritising of student-facing projects in our planned capital expenditure and the appointment of a new Vice-Principal for Students; such steps are essential if we are to remain a favoured destination for the best students.

The esteemed QS World University Rankings reaffirm our position as leading global player – fifth in the UK and 20th worldwide. The accolade is welcome, but we are not complacent.

As a leading centre of excellence, we must continue to build new research partnerships, such as our acclaimed medical alliance with Zhejiang University in China. This year we signed the San Francisco Declaration on Research Assessment (DORA) too, which will help our staff operate at the highest international standards for assessment.

We are also committed to strengthening ties across Europe, and this year initiated agreements with the University of Amsterdam and University College Dublin. In February, we joined UNA Europa, a group of universities determined to draw on Europe's rich intellectual history in order to build an innovative future.

Although we remain a global institution, influencing the world and helping to change lives for the better, we are true to our origins as a civic university rooted in Scotland's capital.

The University played a key role in developing the Edinburgh and South East Scotland City Region Deal, which was formally agreed in August 2018. With its firm emphasis on inclusion, this £1.3bn initiative offers exciting opportunities for interdisciplinary research that will enable us to take the lead in the emerging field of data innovation.

Our desire to attract gifted students, irrespective of their background and circumstances, is undiminished. The University has for decades led the way in widening participation for people from economically challenged backgrounds. Our new Widening Participation Strategy will ensure that talented students who face disadvantage are supported at university, and as they move on to work or further study.

I am confident we can, and will, emerge strongly from current uncertainties. We are fortunate in being able to attract talented people of all ages and backgrounds and offer them an environment in which they can thrive and contribute to making the world a better place.

Principal's welcome



P. W. Mathieson

Professor Peter Mathieson
Principal and Vice-Chancellor

I am always greatly inspired by the dedication and commitment of our students and staff. I have also been hugely encouraged by the support and interest of our many external stakeholders.

Our new Strategy 2030 has a strong people focus; one that cherishes our students, staff, alumni and friends. It defines our values and sets out our mission to make the University a destination of choice for talented people from our city, our nation and the wider world.

Our ambitious action plan will ensure that we listen to feedback from our students and staff. We will continue to make changes that will improve their experience – for students the initiatives will be led by our new Vice-Principal Students, Professor Colm Harmon, who recently joined us from the University of Sydney; for staff the work will be led by Vice-Principal Sarah Smith. Nevertheless, for both students and staff, improving the experience is everyone's responsibility.

Since arriving in Edinburgh, I have been very keen to hear the views of members of the University community. I am therefore very pleased that we planned, completed and analysed the University's first-ever staff survey during my first year in office. Insights drawn from it will help to inform the changes we make, aimed at ensuring that the University is an even better place to work and to live.

Our financial position remains strong, but to deliver our strategic priorities – and meet the external challenges ahead – we must prioritise, identify efficiencies, avoid duplication or waste, and consider areas in which we can reduce expenditure without dampening our aspirations.

Equality, diversity and inclusion, as ever, will be key. In July, we celebrated the resilience of seven medical students who, in 1869, blazed a trail for women's access to higher education. The group – known as the Edinburgh Seven – were among the first women admitted to a UK university but they faced resistance from male peers and from the establishment such that they were prevented from graduating. I first heard of their story soon after I took up my post: I felt this was a historical wrong that should be rectified, and this summer, 150 years later, we awarded each of them a posthumous honorary degree.

Although the discrimination that the Edinburgh Seven faced now belongs to history, barriers still exist that deter too many talented young people from succeeding at university. We must learn from these women and strive to widen access for all who have the potential to succeed.

This autumn, we met an objective to attract students from the country's most economically challenged areas, and did so three years ahead of schedule. We delivered against a Scottish Government target that 10 per cent of new full-time Scottish degree students should be from so-called SIMD20 areas – an index of social deprivation – by 2021.

The news coincided with the unveiling of our Widening Participation Strategy, which outlines steps to further improve access into higher education. The new strategy, which builds on our longstanding outreach work, includes a schools partnership, part-time access routes for adult learners and funding to support students who commute to the University.

Initiatives such as these strengthen ties with the community in which we are deeply rooted; as does our exciting role in the City Region Deal, which our Vice-Convenor of Court Anne Richards has so expertly covered. Our research staff will channel their world-leading expertise into this venture, which will strive to address the social and economic challenges facing south-east Scotland as well as in the wider world.

There is excitement too about our new international alliances. These include a project to curb the threat of drug-resistant infections in India; a collaboration with three Japanese research institutes on artificial intelligence and robotics; and a pledge to support public engagement training opportunities for women scientists in Africa. In May, I joined the opening of the international campus of Zhejiang University in China where we will translate medical research into healthcare technologies. In Shanghai, we have (jointly with Shanghai Jiao Tong University) launched China's first Low Carbon College – a clear sign of our commitment to creating a more sustainable world. We are a global leader in research that addresses the real world impacts of climate change and are continuing to develop opportunities for our students and staff to learn about climate change while encouraging them to reduce their own footprint.

This Annual Report and Accounts shows how we use all of our resources – people, knowledge and natural assets – to create and sustain value for our stakeholders. I want the University to be a place of personal and societal transformation. All of the elements are in place; no amount of political or economic upheaval should deflect us from this course. I urge all members of the University community to play their part in turning the high principles and vision expressed in Strategy 2030 into reality.

Thank you for your interest in the University of Edinburgh.

Research

Scientists at the University have discovered a new state of physical matter in which atoms can exist as both solid and liquid simultaneously. Until now, the atoms in physical material were understood to exist typically in one of three states – solid, liquid or gas. Researchers have found, however, that some elements can, when subjected to extreme conditions, take on the properties of both solid and liquid states.

Published in the journal Proceedings of the National Academy of Sciences, the study was supported by the European Research Council and the Engineering and Physical Sciences Research Council. The work was carried out in collaboration with scientists from Xi'an Jiantong University in China.



Our approach to reporting

We continue to develop our approach to Integrated Reporting.

The 2018/19 Annual Report and Accounts reflects the third year we have applied the framework of Integrated Reporting and as in previous years we have focused on the value created by the University for its stakeholders.

In line with good accounting practice, we aim to think beyond just our financial value and incorporate non-financial performance into our assessment too. This report considers all resources that contribute to value creation, as well as considering the risks, opportunities and outcomes that could affect our ability to create value over time.

We recognise that our stakeholders have a significant influence on the ability of the University to create value and are essential to our success.

Our value model explains how we draw on multiple resources and helps to demonstrate an overall net positive impact for the University, its specific stakeholders, society in general and the natural environment in which we operate.

Our objective is to make the world a better place by delivering a positive impact through our graduates and our staff.

Various forms of resource influence the value of the University:

- People
- Knowledge
- Networks and Relationships
- Natural Resources

The value created by each of these resources is underpinned by:

- Finance
- Physical Estate
- Virtual Infrastructure

The University's reputation is embedded in all value created by the University.

The University will continue to develop the principles of integrated thinking and reporting as developed by the International Integrated Reporting Council (IIRC), in its future reporting.

This is supported by its commitment to the UN's Sustainable Development Goals (SDGs) associated with our strategy.

www.integratedreporting.org/the-iirc-2/

“The University has a solid financial platform to enable our academic mission and to support our students, staff and communities. ”

Lee Hamill

Director of Finance,
The University of Edinburgh

Material issues

In assessing what should be included in our Integrated Report, we applied the principle of materiality.

Material issues have been identified as follows: those which we believe could affect our ability to create value in the short, medium or long term; issues that are important to key stakeholders; issues that form the basis of strategic discussions and decision making; and finally, issues that could intensify or lead to lost opportunity if left unchecked.

Insight into how the material issues identified are managed and how they impact the University are signposted here:

The student experience

The experience of our students while they study here is of vital importance to the University and our rating in the National Student Survey (NSS) of 79 per cent (2017/18: 77 per cent) is an area of focus for improvement. The University is committed to making Improvements to create positive change for our students.

This is covered in the Vice-Convenor of Court's introduction on page 3, included in the Strategic Plan performance framework on page 10, the Risk Register on pages 16 and 17 and page 19 of the Operational Review.

Details of the University's work to enhance the student experience can be found at www.ed.ac.uk/staff/enhancing-student-experience.

Pensions

Economic uncertainties continue to compound the challenges facing the University's largest pension scheme, the Universities Superannuation Scheme (USS). The valuation as at 31 March 2017 was submitted in early 2019. Over the course of 2018 a panel was appointed to review the 2017 valuation and this resulted in a number of recommendations being made. These recommendations resulted in a new valuation – as at 31 March 2018. A final, formal consultation with Universities UK (UUK) on the schedule of contributions for the 2018 valuation has closed and the contributions otherwise scheduled for October under the 2017 valuation will be replaced with new, lower rates, but still higher than contribution rates across 2018/19.

This is covered in note 31 of the Financial Statements on pages 80 to 87 and the Financial Review from page 34.

City Region Deal

The University of Edinburgh is a key partner in a major initiative that seeks to make Edinburgh and its surrounding region the European leader for applying data science to products and services. The move to transform the region into a digital powerhouse is a key strand of the Edinburgh and South East Scotland City Region Deal signed in summer 2018. Under the agreement, significant investment from the UK and Scottish Governments will be provided for major infrastructure projects in Edinburgh, the Lothians, Fife and the Borders.

This is covered on page 21 of the Operational Review as well as in the Finance Director's Foreword on page 32.

Political uncertainty

We are concerned that the UK's departure from the EU could have material adverse consequences for the free movement of staff and students between countries. Some material sources of research and teaching income could be at risk.

This is covered in our Risk Register on pages 15 to 17 of this document.

Regular updates on the effect of changes in the UK's relationship with the EU can be found at www.ed.ac.uk/news/eu.

Estates strategy

We are extremely proud of our ambition to create a world-class estate for a world-class university and will deliver this through our £1.4bn programme of new buildings and refurbishment of the existing physical estate. The physical estate is one of our key resources which we use to provide a stimulating environment in which to create value for, and with, our students and staff.

This is covered in our Risk Register on pages 15 to 17.

Regular updates on our estates programme can be found at www.ed.ac.uk/estatesprojects.

Service excellence

In support of the University's vision, we have committed to a review of key professional service functions and core systems to ensure that we get the best from the sum of our efforts by building effective and efficient services. The initiative, which is known as the Service Excellence Programme, is being run by colleagues in Colleges, Schools and Professional Services Groups working together in a joint approach. In core systems, colleagues from the University, Inoapps and Oracle are working on the design and delivery of a new system for Finance and HR that will enable new services and processes.

This is primarily covered in the Finance Director's foreword on page 32.

Details of the programme and regular updates can be found at www.ed.ac.uk/university-secretary-group/service-excellence-programme.

Strategy and value model



Our strategy

Earlier this year we published our Strategy 2030 which will equip us to address tomorrow's greatest challenges.

Building on our 2016 Strategic Plan, Delivering Impact for Society, our values-based Strategy 2030 describes how we will transform over the next decade. The Strategy focuses on key areas: people; research; teaching and learning; and social and civic responsibility. Alignment with United Nations Sustainable Development Goals and work to develop a refreshed set of key performance indicators will allow us to demonstrate performance against the Strategy. We will report against this in our 2019/20 Annual Report and Accounts.

Our vision and purpose

Our graduates, and the knowledge we discover with our partners, make the world a better place.

As a world-leading research-intensive University, we are here to address tomorrow's greatest challenges. Between now and 2030 we will do that with a values-led approach to teaching, research and innovation, and through the strength of our relationships, both locally and globally.

Our values

- We aim to achieve excellence in all that we do, always being principled, considerate and respectful.
- Our teaching and research is relevant to society and we are diverse, inclusive and accessible to all.
- We are ambitious, bold and act with integrity, always being willing to listen.
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- We celebrate and strengthen our deep-rooted and distinctive internationalism, attracting the world's best minds and building innovative global partnerships for research, teaching and impact.
- We sustain a deep allegiance and commitment to the interests of the city and region in which we are based, alongside our national and international efforts, ensuring relevance to all.
- We are a place of transformation and of self-improvement, driven to achieve benefit for individuals, communities, societies and our world.

Our focus

To make the greatest impact we will focus on four key areas, each shaped by our values.

- People: Our students, staff, alumni and friends are our lifeblood.
- Research: Our ethos of working without boundaries will deliver a step change in innovation and research.
- Teaching and Learning: Our teaching will match the excellence of our research. We will improve and sustain student satisfaction and wellbeing.
- Social and Civic responsibility: Our vision is to make the world a better place, so we will ensure that our actions and activities deliver positive change locally, regionally and globally.

Strategy 2030 was published in September 2019 and for this reason, assessment of progress in 2018/19 (pages 10-11) is measured against the 2016 strategic plan performance framework.

Structure

The University is organised into three Colleges, three Professional Services Groups and a Corporate Group which includes 14 subsidiary companies. Our growing staff and student populations make a positive impact to the City and beyond.

2018/19	Staff numbers	Student numbers
College of Arts, Humanities & Social Sciences	3,904	25,405
College of Medicine & Veterinary Medicine	3,529	7,025
College of Science & Engineering	3,481	10,950
Corporate Services Group	2,698	-
Information Services Group	824	-
University Secretary's Group	1,230	-
Corporate Group	220	-
TOTAL	15,886	43,380

Our strategy (continued)

Strategic plan

A new performance framework for the University is currently under development. The following table sets out our assessment of progress this year against the current strategic plan.

✓ - achieved/on track 👁 - strong or improving position but needs attention ⚠ - progress needed

Leadership in learning

		Year 1 2016/17	Year 2 2017/18	Year 3 2018/19	Attention	Notes
Student satisfaction	National Student Survey				⚠	The University has developed an ambitious Student Experience Action Plan which sets out a wide-ranging ambitious and holistic programme of work to improve the student experience in Edinburgh. We have committed £15.3m over the coming three years which we believe will positively impact on student experience.
	Postgraduate Taught Experience Survey (PTES)				⚠	PTES results shows that students at the University are more satisfied with their experience than undergraduate or postgraduate research students. Our PTES scores are in line with or slightly above the average across the Russell Group in the majority of themes covered by the survey.
	Postgraduate Research Experience Survey (PRES)	81%	Target - Maintain position		⚠	Our satisfaction scores are slightly below the average for the Russell Group in all but one area (access to resources).
Graduates in graduate level employment or further study 6 months after graduation	Undergraduate	80%			👁	We will continue to monitor this and work to improve graduate outcomes, particularly for undergraduates, as our Russell Group competitors have also improved. The national survey for measuring Graduate Outcomes is being revised to focus on 15 months post graduation rather than six months. Data for 2017/18 will not be available until 2020.
	Postgraduate Taught	83%			👁	
	Postgraduate Research	90%			👁	

Leadership in research

		Year 1 2016/17	Year 2 2017/18	Year 3 2018/19	Attention	Notes
Research performance in the UK context	Research income per academic staff member (£)				👁	Positive movement in the year reflecting research income growth of 2.1 per cent greater than research staff growth of 1.5 per cent
Research performance in the UK context	Research publication quality based on citations	6th			✓	Based on field weighted citation impact using SciVal (a research performance benchmarking tool using publication metrics).
	Doctoral degrees awarded per academic staff member				⚠	Number of doctoral degrees awarded per member of academic staff member is showing improvement towards the Russell Group upper quartile of 0.54.
Research performance in the UK context	REF 2021 Performance	Preparations for REF2021 are well under way, which closes in November 2020. REF2021 results will be published in December 2021. The Research Excellence Framework (REF) is the system for assessing the quality of research in UK higher education institutions. This is conducted every seven years.				

Our scale and ambitions for growth: Sustainability

		Year 1 2016/17	Year 2 2017/18	Year 3 2018/19	Attention	Notes
Financial sustainability	Interest cover	4.3 Target - minimum 2.0	2.6 Target - minimum 2.0	4.2 Target - minimum 2.0	✓	Increased operating surplus (excluding exceptional items) has grown from last year providing greater cover.
	Operating surplus as % of total income	5.9% Target - range 3-5%	2.8% Target - range 3-5%	5.5% Target - range 3-5%	👁	Operating surplus grew in the year, boosted significantly by City Region Deal grant funding.
Annual carbon emissions	Absolute carbon emissions (TCO2)	92,527	82,500	78,903	✓	See Operational Review page 24
	Relative carbon emissions (TCO2/£m)	99.6	83.8	71.6	✓	See Operational Review page 26

Our strategy (continued)

Our people		Year 1 2016/17	Year 2 2017/18	Year 3 2018/19	Attention	Notes
Student population characteristics	% full time, Scottish undergraduate entrants from MD20 and MD40 categories of the Scottish Index of Multiple Deprivation				✓	Both the MD20 and MD40 targets have been exceeded in 2018/19, and 2019/20 management information shows a small further increase in SIMD 20 entrants to 11.4 per cent.
	Number of schools with balance above 75% for either male or female students	2	2	2	⚠	No change from 2016/17. Target - Downward trend
	Number of schools with greater than 10% of entrants from a single non-UK domicile	UG 8 PGT 20 PGR 14	UG 7 PGT 21 PGR 13	UG 7 PGT 20 PGR 13	✓	Slight variations year on year. This metric is being kept under review through the work underpinning the Strategy 2030. Target - Downward trend
Staff population characteristics	Staff age profile (%): Professional services staff aged under 25	10%	11%	11%	⚠	Under 25s has remained static. Trajectory to be kept under review in light of Youth and Student Employment Strategy. Target - Upward trend
	Staff age profile (%): Academic staff aged under 40	48%	48%	47%	⚠	Maintaining proportion. Trend to be reviewed in partnership with Director of HR. Target - Upward trend
	Grade 9 and 10 gender profile	Female : Male Grade 9 39 : 61 Grade 10 25 : 75	Female : Male Grade 9 40 : 60 Grade 10 27 : 73	Female : Male Grade 9 41 : 59 Grade 10 28 : 72	✓	Positive trend towards more balanced gender split. Keep under review alongside Athena Swan Silver Action Plan. Target - Grade 10 to mirror Grade 9 gender profile
Partnerships with industry		Year 1 2016/17	Year 2 2017/18	Year 3 2018/19	Attention	Notes
Number of patents		88	117	71	⚠	The number of patents filed is consistent with the pipeline of technologies and their stage of development within our pipeline.
Number of licenses		47	48	31	⚠	This figure is lower than 2017/18, largely as a result of fewer repeat licences for technologies.
Number of start-up companies created		44	45	64	✓	Positive upward trend.
Value of consultancy processed by Edinburgh Innovation		£5.3m	£5.6m	£6.9m	✓	Positive upward trend.
Value of industrial and transitional awards		£28.5m	£37.3m	£49.5m	✓	We are starting to see the results of initiatives, such as additional activities with University academic staff and improving partnerships with venture funding partners.
Influencing globally		Year 1 2016/17	Year 2 2017/18	Year 3 2018/19	Attention	Notes
The University's non-UK population	% academic staff from UK/EU/outwith EU	UK 60% EU 25% ROW* 16%	UK 58% EU 25% ROW* 17%	UK 57% EU 24% ROW* 18%	✓	We have exceeded our target, but we will continue to monitor this in light of the UK's departure from the EU. Current maintained balance between academic staff nationalities may reflect continued positive reputation of Edinburgh. Target - Maintain balance *ROW = Rest of World
	% students from outside UK	47%	50%	53%	✓	We have seen a significant increase in the number of students going on international exchanges, however we have seen a drop in the number of Erasmus/Swiss exchanges. The uncertainty surrounding the UK's departure from the EU and potential impact of leaving without a deal on Erasmus+ funding may account for this. Target - 50%
Research reputation	QS academic reputation ranking	28th in the world	24th in the world	24th in the world	✓	The position has been maintained this year. Target - Maintain or improve position
Digital transformation and data		Year 1 2016/17	Year 2 2017/18	Year 3 2018/19	Attention	Notes
Online distance learning	Number Postgraduate Taught online distance learning students in the whole population each year	2,921	3,381	3,447	⚠	Moving gradually in the right direction but a stretch target. Continue to monitor in line with distance learning at scale project, which launched its first programme in 2019/20. Target - 10,000

Our value model

Our approach

The University is committed to Integrated Thinking and has adopted the principles of Integrated Reporting within this Annual Report.

Our Value Creation Model is a fundamental part of our Integrated Annual Report. Our Value Creation Model shows how we use and influence resources to create and sustain value for our many stakeholders.

The case studies throughout this Integrated Annual Report, demonstrate how we maximise the potential of our resources to create value for our stakeholders. Our Value Creation Model

has at its centre, the overall strategic objectives of the University with Research and Learning flowing through all of the outputs.

Over the course of the coming year we will explore how our Value Creation Model can align and report to the United Nations Sustainable Development Goals.

How we create value

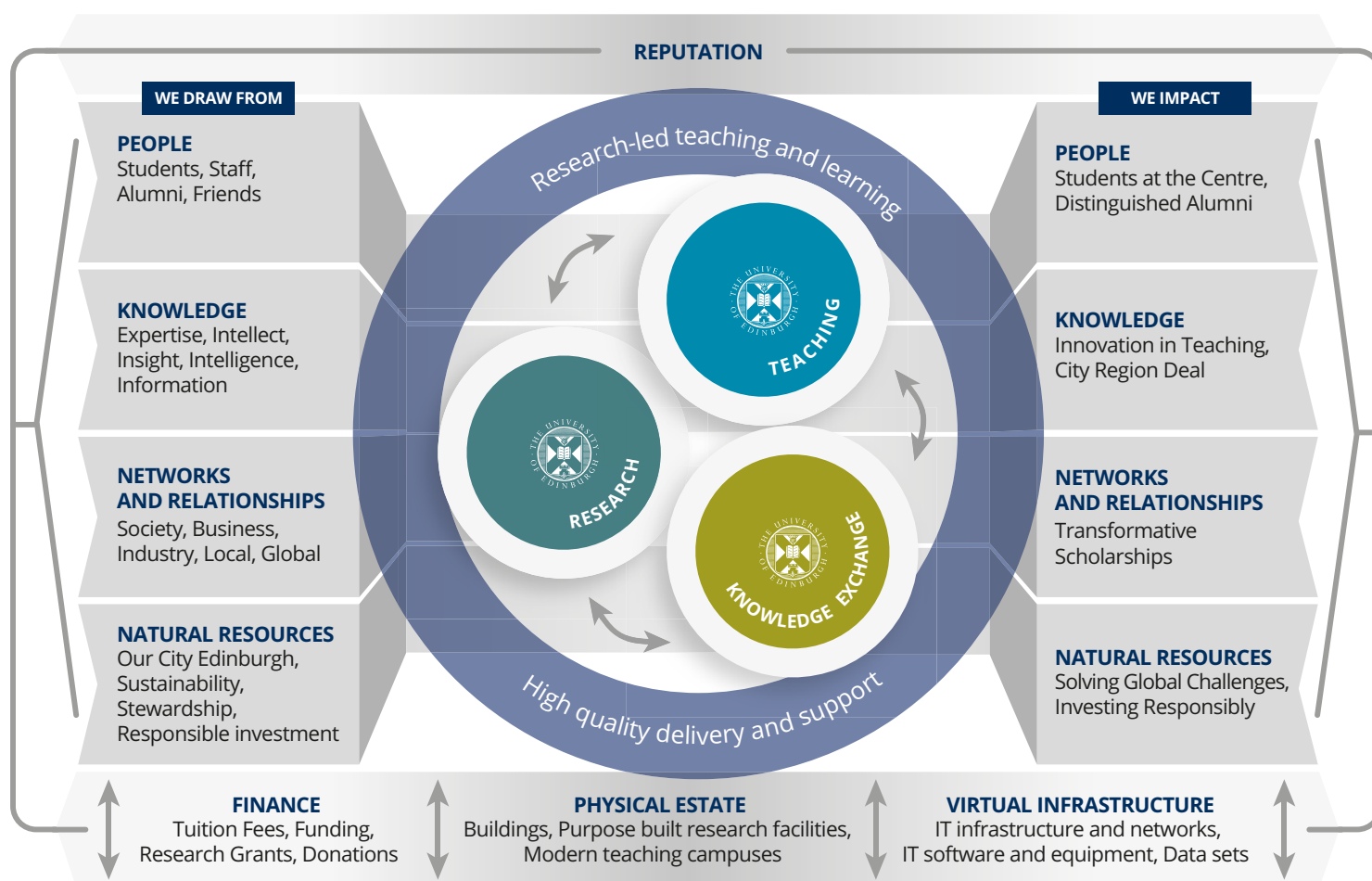
We deliver impact for society. As a truly global university, rooted in Scotland's capital city, we make a significant, sustainable and socially responsible contribution to the world. Our mission to discover, develop and share knowledge is at the heart of everything we do.

We teach students from across the world. We equip our students with the knowledge, skills and experience to become successful graduates who contribute to society.

The research we conduct is of the highest standard across a broad spectrum of disciplines. This brings together world-class researchers who provide world-leading outputs and insight.

We seek to convert our research findings and knowledge capital into successful commercial activities to create wealth and improve society.

University of Edinburgh – Delivering Impact for Society



Our value model (continued)

The value created

The case studies throughout this Integrated Annual Report, demonstrate real examples of how we continue to create value from our resources and have a positive impact on society.

Research

Scientists at the University have discovered a new state of physical matter in which atoms can exist as both solid and liquid simultaneously.



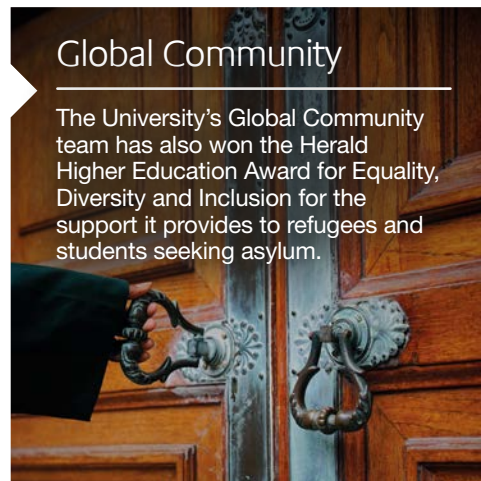
Teaching and Learning

Our annual Learning and Teaching Conference is a cornerstone for encouraging discussion and engagement with staff, students and partners.



Global Community

The University's Global Community team has also won the Herald Higher Education Award for Equality, Diversity and Inclusion for the support it provides to refugees and students seeking asylum.



Supporting our Community

The Yard Scotland runs adventure play services for disabled children, young people and their families in the east of Scotland. The charity received community grant funding from the University in spring 2019 to purchase holistic and natural play equipment for disabled children aged 0-5.



Bayes Centre

The year began with Her Royal Highness The Princess Royal formally opening the Bayes Centre, a £45m building housing about 600 researchers, students, and entrepreneurs over five floors.



Protecting our Planet

The University and Students' Association introduced a charge for disposable cups in their cafes and announced that they would accept all reusable cups, encouraging sustainable alternatives to traditional takeaway cups.



Our strategy and Value Creation Model is assured by effective governance

Our Strategic Plan has been in place since 2016 and we replaced it with our new Strategy 2030 in September 2019 that is led by a distinctive, honest and realistic set of guiding principles and goals.

Read more: Corporate Governance Statement, page 41
Financial Review, page 34
Independent Auditors' report to Court, page 50

Teaching and Learning

Our annual Learning and Teaching Conference is a cornerstone for encouraging discussion and engagement with staff, students and partners. The second conference – which focused on how we can evidence the value of teaching and learning – took place in June 2019. The event brought together students and staff from across the University to celebrate and share good practice and innovative teaching initiatives. Leading scholars from around the world gave presentations to inspire and inform our conversations.

Keynote speakers Professor Peter Felten, of Elon University in North Carolina, and Dr Camille Kandiko Howson, of Imperial College London, joined Edinburgh academics in providing a range of perspectives on the importance of learning and teaching in academia.



Understanding our risks

Risk is simply the effect of uncertainty on objectives. Risks can take the form of adverse consequences, or unexpected opportunities. They are inherent in all activities and a dynamic enterprise like ours will inevitably create new risks in pursuit of our evolving objectives. Effective risk management is about ensuring that all significant relevant risks are understood and prioritised as part of normal management practices to increase the probability of successful outcomes while protecting the reputation and sustainability of the University.

Risk management

The University has a holistic approach that builds risk management into its structures and processes through a framework of governance, a defined risk appetite and an underlying policy and control environment that integrates risk management into planning and decision-making.

Process

The University operates a process for the identification, evaluation and management of risks that might impact the achievement of its strategic objectives. It records them in the University Risk Register. The Risk Management Committee monitors and reviews emerging and changing risks throughout the year, tracks the implementation of risk management strategies and mitigations, informs the University Executive and reports the Committee's findings to the University Court's Audit and Risk Committee.

College, Support Group and subsidiary company risk registers ensure key operational risks are identified and managed by the appropriate organisation within the University. Those operational risks of strategic importance, and those that indicate common risk themes, form the basis for the strategic University Risk Register. Internal Audit supports this process and undertakes reviews of key risk areas and the risk management process according to a rolling audit plan.

The University's approach is to minimise its exposure to reputational, compliance and financial risk, while accepting and encouraging an increased degree of risk in pursuit of its mission and objectives. It recognises that its appetite for risk varies according to the activity undertaken but that controlled risk-taking enables us to take advantage of opportunities to generate further value. The University's risk appetite, explained in detail in the Risk Management Policy and Risk Appetite Statement, is illustrated below.

Effective risk management is a process built on continuous review and improvement. In 2018/19, the University introduced a number of improvements, with emphasis on better integrating risk management into the strategic and operational planning

processes, and aligning risk management processes across Colleges and Professional Services. We also reinforced the Business Continuity Management framework this year, and introduced the role of Emergency Manager to further support the resilience and sustainability of the institution.

Risk register

The University Risk Register is updated annually by the Audit and Risk Committee and approved by the University Court. Quarterly updates provide assurance that progress is made on planned mitigation strategies. The most recent iteration was approved at the Court meeting on 17 June 2019, where the University concurrently approved a renewed Strategic Plan. The next risk management cycle will begin as part of the 2020-2023 Planning Round beginning in November 2019, guided by this new Strategic Plan, aligning risk management and the University's priority goals and objectives. Set out on the following pages are those risks we consider most material, drawn from the risk register in place for most of the reporting period. As such, the list is not comprehensive as, in an organisation as large and complex as ours, there are many events that could trigger additional actions to manage them.

The UK's departure from the EU remains a concern, and the University is making significant efforts to strengthen its engagement with European partners and build on its reputation as a firmly outward-looking and international institution. The strategies we have put in place to address staff recruitment and retention, research funding, student recruitment, and industry engagement will help ensure we maintain our position as one of the top 20 research universities in the world.

This is also a time of tremendous opportunities as our commitments to the Edinburgh and South-East Scotland City Region Deal and Data Driven Innovation programs position the University as a key partner in these major initiatives that will make the city and its surrounds the European leader in data science expertise. Careful implementation of our plans will ensure the University maintains the financial headroom required to invest in these major opportunities.



The Risk Management Committee

www.ed.ac.uk/governance-strategic-planning/governance/university-committees/court-committees/risk-management-committee

University Executive

www.ed.ac.uk/governance-strategic-planning/governance/university-committees/othercommitteesandgroups/university-executive

University Court's Audit and Risk Committee

www.ed.ac.uk/governance-strategic-planning/governance/university-committees/court-committees/audit-and-risk-committee

Internal Audit

www.ed.ac.uk/internal-audit

Risk Management Policy and Risk Appetite Statement

www.ed.ac.uk/files/atoms/files/risk_policy_and_appetite_-_final_and_court_approved_0.docx

Edinburgh and South East Scotland City Region Deal

www.ed.ac.uk/local/city-region-deal


Data Driven Innovation

www.ed.ac.uk/human-resources/jobs/chancellors-fellowships/the-university-data-driven-innovation

European leader in data science expertise

www.ed.ac.uk/news/2017/university-to-play-pivotal-role-in-creating-data-c

Understanding our risks (continued)



QS World University Rankings 2019
www.topuniversities.com/universities/university-edinburgh#wurs

National Student Survey (NSS)
www.ed.ac.uk/students/academic-life/student-voice/student-surveys/national

UoE Feedback activities
www.ed.ac.uk/students/inspiring-students/we-re-listening

Research Excellence Framework (2014)
www.timeshighereducation.com/sites/default/files/Attachments/2014/12/17/k/a/s/over-14-01.pdf

Online Distance Learning
www.ed.ac.uk/studying/online-learning/postgraduate?gclid=EAlaQobChMinPXK66uW4wlVFc13Ch0gOQL_EAAYAiAAEgLPnfD_BwE

Data-Driven Innovation (DDI)
www.ed.ac.uk/local/city-region-deal/data-driven-innovation

South East Scotland City Region Deal
www.ed.ac.uk/local/city-region-deal

Strategic Objectives and Development Themes

Strategic Objectives and Development Themes	Risk Description	Risk Management
Leadership in learning	Student experience Failure to provide a high quality student experience may negatively impact our reputation, recruitment and retention.	The University of Edinburgh excels as a research institution and this year the QS World University Rankings 2019 have placed the University 20th in the world. This puts Edinburgh fifth in the UK, and the highest position of any Scottish university. We recognise, however, that various measures of student satisfaction (such as the National Student Survey (NSS) and our own feedback activities) have not reflected similarly impressive results. The University continues to reinforce the status of teaching alongside research, improve the quality and timeliness of assessment and feedback to students, and capitalise on new technologies, new and more efficient use of teaching spaces, and improved teaching support to address this risk.
Leadership in research	Research funding Increasing competition for UKRI funding, and potentially reduced access to EU funding due to the UK's departure from the EU.	The Research Excellence Framework (2014) ranked Edinburgh 4th in the UK for research power, and once again in the highest position of any Scottish university. The University will continue to leverage its position as we maintain and where possible enhance our collaboration with European research partners, reinforce our international partnerships, and diversify our funding streams.
Influencing globally	Political uncertainty and change Changes in the UK's relationship with the EU and resulting changes in immigration policies may inhibit the University's ability to attract international staff and students, thereby affecting the global impact of our research and teaching.	Uncertainties have led the University to continue accelerate partnerships with EU universities, and increase recruitment activity for EU postgraduate taught and international students. We continue to increase investment in the Global Office network, and recruitment activity in Africa, the Middle East and Asia, while enhancing Online Distance Learning (ODL) marketing and financial modelling to increase student numbers, targeting growth to 10,000 distance learners.
Contributing locally	Significant changes to the social and economic fabric of Scotland, such as increased societal emphasis on issues such as widening access and diversity, and the shift to a digital economy may impact the University's ability to contribute meaningfully to the region and the nation.	We are energetically advancing partnerships with government and industry such as Data-Driven Innovation (DDI) and South East Scotland City Region Deal to accelerate growth and make a strong contribution to regional development. In addition, we are broadening our efforts to recruit from, and support, a broader cross-section of society through programs such as the UK and Scottish Government's Widening Participation, and our own Equality and Diversity Strategy, Outcomes and Action Plan.
Partnerships with industry	Strategic partnerships Failure to maintain a common vision across partners and jurisdictions could hamper achieving significant opportunities.	Partnership with international and domestic industry is critical to advancing the University's impressive contributions to research, teaching, and the advancement of our vision and values. The University is improving how it grows and maintains its partner relationships. We are enhancing measures to ensure its partnerships are ethical, sustainable and secure through improved internal policies and processes, as well as closer cooperation with Universities UK and government. We have recently added a Director of Strategic Partnerships to manage and grow this opportunity.
Digital transformation and data	Core IT infrastructure and Info security / data breach Disruption to basic network services, and compromise of University information.	Like every modern institution, the University must continually ensure its networks are robust and secure. Our Network refresh programme is underway to address the highest risk core infrastructure layer, and our capital programme is funding the rolling replacement of core enterprise IT infrastructures. A new Information Security Policy is in place and a comprehensive training program is underway.

Understanding our risks (continued)

Strategic Objectives and Development Themes

Strategic Objectives and Development Themes	Risk Description	Risk Management
Our People	People Multiple factors combine to challenge the recruitment and retention of academic, professional, and support staff.	The University faces ongoing HR challenges caused by factors such as the UK's departure from the EU/Immigration changes, low local unemployment and an inflated local labour market. We recently completed our first-ever staff survey, with an impressive 6,600 respondents. We are using this information to build on our strengths and address areas of concern in order to make the University an even better place to work and encourage retention of our diverse staff. Our HR Service Excellence project is currently underway and being closely managed to ensure positive results.
Growth through investment in learning and research	Finance Failure to maintain financial headroom required to pursue strategic priorities and ensure financial sustainability in the face of increasing financial pressures.	Across the HE sector, universities are facing increased USS pension costs, likely reduction in student recruitment from the EU following the UK's departure from the EU, reduction of RUK fees following the Augar report, and increased labour costs due to reduced availability of EU workers. While the University maintains an enviable fiscal position relative to other universities, we undertook a fundamental strategic review this year, updating our strategic vision and shared priorities. We will aim to free up further resources to ensure our ability to fund strategic priorities and achieve innovation potential.
Our physical presence.	Estate The Estate fails to meet the needs of the University (volume, condition, and accessibility).	Past efforts to increase income through growth in enrolment numbers have stretched the capacity of our Estate and challenged our ability to develop a stable, long-term capital plan. The University is developing a clearly articulated, and widely supported strategic vision on size and shape of the University, focussing on our strengths. This will ensure we continue to excel in research and teaching, while approaching growth in a more strategic direction, integrated within an achievable and sustainable capital plan
Sustainably achieving our ambitions	Responsibility and sustainability Pursuit of our goals and objectives, particularly those associated with energy-dependent City Deal and Data Driven Initiatives, will challenge achievement of our carbon reduction targets.	The University is a global leader in climate change research, with several centres of climate, energy and environmental expertise including the Edinburgh Centre for Carbon Innovation, the Institute for Energy Systems, the Centre for Sustainable Landscapes and Forests, and the FloWave Ocean Energy Research Facility. We also lead the sector in sustainability, being named 'Sustainability Institution the Year' at the EAUC Green Gown awards in 2018. We committed, 10 years before recommended by the Intergovernmental Panel on Climate Change (IPCC), to achieving net carbon neutrality by 2040, and will fully divest from fossil fuels by the start of 2021. We will continue to do more, reducing our emissions from gas and electricity used to heat and power our classrooms and student accommodation by ensuring our buildings are redesigned to be more energy efficient. As business travel is also a key source of emissions, we are considering how to reduce emissions from flights without hampering global connectivity.



Edinburgh Centre for Carbon Innovation
www.edinburghcentre.org/

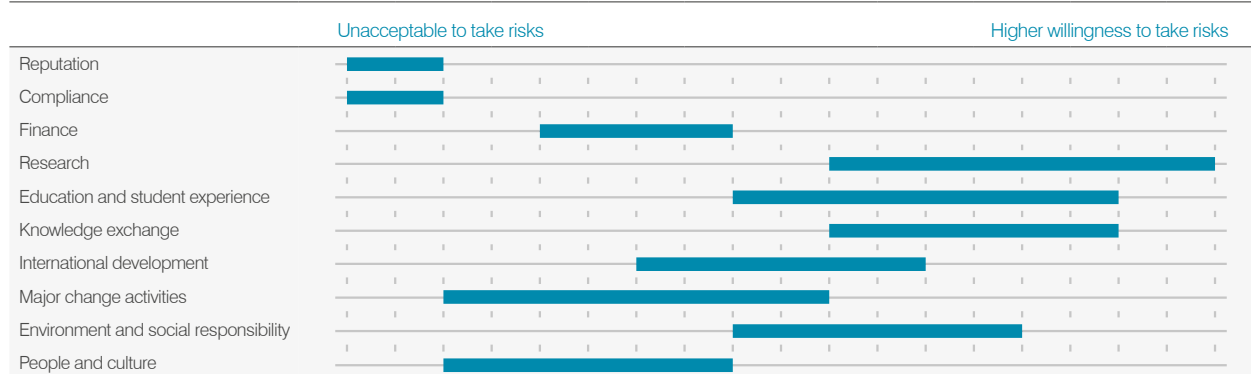
Institute for Energy Systems
www.eng.ed.ac.uk/research/institutes/ies

Centre for Sustainable Landscapes and Forests
www.ed.ac.uk/sustainable-forests-landscapes

FloWave Ocean Energy Research Facility
www.flowavett.co.uk

Sustainability Institution the Year
www.ed.ac.uk/about/sustainability/news/archived-news/2018/sustainability-institution-green-gowns

Our appetite for risk



Operational review



Operational review

As a world-leading research-intensive University, we address tomorrow's greatest challenges through our values-led approach to teaching, research and innovation; and the strength of our relationships locally and globally. Here we reflect on our progress in these areas over the last year.

Student Experience

The University has approved and funded an ambitious, multi-million pound Student Experience Action Plan, bringing together a large number of initiatives that will be rolled out over the next three years. The aim is to support excellence in teaching and student support; fostering community and a sense of belonging; a comprehensive review of the undergraduate curriculum, and major commitments in the areas of estates, facilities and course organisation and management.

The University's comprehensive review of student support was launched in Spring 2019. Looking at all aspects of student support – the role of personal tutors, student support teams and other professional services in areas such as employability, mental health and wellbeing – the review is tasked with taking an approach in which 'nothing is off the table'. The review has concluded its initial assessment of current practices, strengths and weaknesses, and is now moving ahead to identify and consult on alternative models.

The University has appointed Professor Colm Harmon as its first Vice-Principal Students, a post he took up full-time in October 2019. Professor Harmon was previously Vice-Provost (Academic Performance) and Professor of Economics, University of Sydney. Professor Harmon will report directly to the Principal and is a member of the Senior Leadership Team.

The University is working closely with the Edinburgh University Students' Association and Edinburgh University Sports Union to address the issue of sexual violence on campus. Over 600 student leaders (Residence Assistants, Society Presidents and Sports Club Captains) received introductory training on consent and the bystander approach in September 2018, and this initiative is being scaled up to 1000 student leaders for 2019/20. Specialist agency the Consent Collective ran events and discussions for a further 600 staff and students from the University community in face-to-face sessions, focusing on a range of matters such as consent, support power and relationships, the bystander approach and running investigations. This is a difficult but hugely important issue and one that the University has made a long-term commitment to address.

The Lecture Recording Project, set up to help students by bringing extensive pedagogical and research benefits is continuing its

successful roll out. The first stage consisted of 114 rooms equipped for use in academic year 2017/18. For the academic year 2018/19, this increased to 300 rooms and by the start of 2019/20 we will have equipped 400 teaching spaces. The capital investment alone is around £2.25m. Over the last year, lecture recordings have increased from 13,000 to 25,000. Student views of recordings have also increased from 470,000 to over 750,000 in the same period.

Significant investments continue to be made in upgrading facilities that students use and enjoy across the estate. We have examined some of our key projects in our Estates section, and there are others, such as the £35m refurbishment of The Law School in Old College, reimagined with state-of-the-art facilities for a 21st Century world-class institution. More modest but important enhancements to smaller spaces such as the much-loved Rainy Hall at New College, or the introduction of new, larger scale cycle stores at Pollock Halls have also helped students day-to-day experiences.

Online, a new and upgraded version of student portal 'MyEd' was launched in summer 2019 on the back of extensive user consultation and testing. The new MyEd homepage features the content that is used most often so students now have quicker and faster access to services such as Learn, the University's virtual learning environment, the library, email and calendar.

Service Excellence Programme

Our Service Excellence Programme is an essential component in our University 2030 strategy and aims to make our University an even better place to study and work. With a focus on creating unified professional services across the University, the programme will deliver change and improvement that will make it easier for our students to join and study with us, make life easier for our staff and help reduce costs so we can focus investment in other important areas.

The Finance Transformation Programme has introduced a new single Finance help desk service and has a number of other initiatives underway to help deliver expert service, help and guidance for our staff, students and stakeholders. In addition, the HR Transformation Programme has delivered a new dedicated HR Operations Service, a series of updated and improved family and leave policies and invested huge effort in creating

Operational review (continued)



The University's Law School, reimaged after a £35m refurbishment

digital ways of working across HR processes; digitising all employee files and creating consistent digital forms for key HR processes.

The future operating model for Student Administration & Support has been approved and is making significant progress with a number of changes and improvements already delivered, including a new single service to provide student immigration and visa advice to students and staff. They've also launched a comprehensive timetabling service delivering personalised timetables to students on Office 365 devices.

The Student Recruitment and Admissions team has begun to further design its future service, invested in a new enquiry management system and are working to create a new team of enquiry management experts. A dedicated web team is being created to help create consistency across recruitment and admissions web content University-wide, and work is underway to design a consistent approach to communication and events that helps ensure students see the best of our University and our people from the minute they get in touch.

We are delighted with the progress the Service Excellence Programme is making and look forward to seeing further developments in the year ahead.

Leadership in teaching and learning

The University is committed to improving and promoting teaching that focuses on experience,

employability and an understanding of the value of creativity, curiosity and even failure.

As previously noted, Professor Colm Harmon has recently been appointed as Vice-Principal Students. As part of this new role, Professor Harmon will continue the University's work to improve student experience, which features a detailed programme of activities to address teaching and learning. The plan includes a 'nothing off the table' review of student support and personal tutoring and a commitment to prioritising student-facing projects in the University's planned capital expenditure. Uniform implementation of agreed policies – such as mid-semester feedback, lecture recording and provision of electronic reading lists – is also a priority.

Improving staff experience is crucial in helping shape a positive learning environment. Conversations responding to our first all-staff survey have been taking place, with a new Staff Experience Committee set up to shape and lead cross-University priorities on staff experience. Some improvements are already underway, including an expanded suite of training and development opportunities, and enhanced measures to recognise and reward teaching excellence. New developments include reviews of workload allocation models and the wider curriculum. The University is also developing work around fostering a sense of community among staff and leadership communications.

Leadership in research

The University has made many important discoveries through its world-class research this year, covering everything from brain sciences to the study of compressed air storage.

Professor Seth Grant and team have created the first synaptome map of the whole mouse brain, including more than a billion synapses. Funded by European Research Council and Wellcome Trust, their complex series of images is the first to illustrate how these vital connections are organised and could impact on our fundamental understanding of the brain.

In the School of Philosophy, Languages and Social Sciences, studies funded by the Economic and Social Research Council have shown that baby talk is not just child's play. Assessments of nine-month-old children suggest that those who hear words such as bunny or choo-choo more frequently are faster at picking up new words between nine and 21 months. Researchers say these findings suggest some types of baby talk words – more than other words – can help infants develop their vocabulary more quickly.

Meanwhile, the University of Edinburgh's MRC Centre for Reproductive Health have been researching new methods of contraception. Men will be asked to use a daily gel that suppresses sperm production as their sole method of birth control as part of two-year study to assess whether the gel is effective

in preventing pregnancy and whether this method is acceptable to couples.

The study is being led in the UK by Saint Mary's Hospital, part of Manchester University NHS Foundation Trust, and the University of Edinburgh. It is part of an international project funded by the US National Institute of Health and led by the Los Angeles Biomedical Research Institute and the University of Washington School of Medicine.

The University has also been looking to our natural history to create a sustainable future. Researchers investigated trapping compressed air in porous rock formations found in the North Sea. Electricity from renewable energy sources would be used to accomplish this, and the pressurised air could later be released to drive a turbine to generate large amounts of electricity.

Using the technique on a large scale could store enough compressed air to meet the UK's electricity needs during winter, when demand is highest, the study found. The approach could help deliver steady and reliable supplies of energy from renewable sources – such as wind and tidal turbines – and aid efforts to limit global temperature rise as a result of climate change.

Research revealed porous rocks beneath UK waters could store about one and a half times the UK's typical electricity demand for January and February.

Engineers and geoscientists from the Universities of Edinburgh and Strathclyde used mathematical models to assess the potential of the process, called compressed air energy storage (CAES). The team then predicted the UK's storage capacity by combining these estimates with a database of geological formations in the North Sea. Porous rocks beneath UK waters could store about one and a half times the UK's typical electricity demand for January and February, they found.

Compressed air energy storage would work by using electricity from renewables to power a motor that generates compressed air. This air would be stored at high pressure in the pores found in sandstone, using a deep well drilled into the rock. During times of energy shortage, the pressurised air would be released from the well, powering a turbine to generate electricity that is fed into the grid. A similar process storing air in deep salt caverns has been used at sites in Germany and the US. The study is published in the journal *Nature Energy* and was funded by the Engineering and Physical Science

Research Council, Scottish Funding Council, and the Energy Technology Partnership.

City Region Deal

As a partner in the £1.3bn Edinburgh and South East Scotland City Region Deal, the University is making significant progress in the delivery of the £660m Data-Driven Innovation (DDI) Programme, the largest component of the Deal.

Since the Prime Minister and First Minister visited the University in August 2018 to sign the flagship Deal, the DDI Programme has been laying the foundations for the University's 15-year plan to increase the impact of research, data analytics expertise, and graduate skills to the city region's economy.

Projects and activity already benefiting from DDI Programme support include the Creative Informatics partnership, Data Education for Schools in the City Region, and Train@Ed – a research fellowship scheme with additional backing from the EU. The University is also lead partner for the DDI Skills Gateway, which aims to improve data skills for all the region's citizens, especially among disadvantaged and hard-to-reach groups.

The first of the five DDI hubs, the Bayes Centre, opened in October 2018 and already has over 20 public and private industry partners in residence, working alongside students and academics.

The remaining hubs are at different levels of maturity, with capital investments approved for the Edinburgh Futures Institute, data analytics facility the World-Class Data Infrastructure, and the National Robotarium – a joint venture with Heriot-Watt University – to drive improvements in artificial intelligence and autonomous systems. The team within the DDI office is also continuing to support the finalisation of investment cases for the Usher Institute and Easter Bush Campus.

Partnerships with industry

The University's partnerships with industry have continued to flourish. Industry engagement activity, led by Edinburgh Innovations, the University's commercialisation service, includes commercial collaborations with businesses and other external organisations, supported by funding councils, industry itself, or a combination of both.

For example, in March 2019 the University and Babcock International jointly announced Fastblade, a £2.4m engineering research facility that will speed the development of materials and structures for tidal energy, transport and other industries. It will be built at Rosyth in Fife, as part of a wider strategic partnership between the University and Babcock.

EIT Digital, a European innovation and education organisation with a €100m annual budget, opened its first UK Satellite office

Operational review (continued)

at the University in April 2019. With funding from Scottish Enterprise and the Scottish Funding Council, the Satellite aims to increase university-industry knowledge exchange and develop skills in Scottish businesses. It will host a new Doctoral Training Centre, with each doctorate involving an industrial partner.

Edinburgh Futures Institute will radically change how education tackles the big questions of the future by bringing together leading academics across the arts, the humanities and the sciences.

In February, Edinburgh was selected as the lead academic partner in the Fujifilm Diosynth Biotechnologies (FDB) Centre of Excellence in Bioprocessing 2.0, a collaboration between FDB, Scotland's Industrial Biotechnology Innovation Centre and the universities of Edinburgh, Manchester and York.

The University was awarded £10m to establish Creative Informatics as one of the UK's nine Creative Industry clusters.

Partners include Creative Edinburgh, Festivals Edinburgh, The List, the BBC, National Museums Scotland, The Fruitmarket Gallery and Royal Bank of Scotland.

Jacobs Engineering Group is partnering with the University on its three-year contract to lead the Edinburgh City Centre Transformation project, working with the company on the Open Streets programme and STEM outreach to local primary schools.

Estates

The University's pioneering Estates Capital Plan continues to enhance the experience we offer students, staff and the general public across our campuses.

As part of a £1.4bn investment over the next decade, we have renovated Murchison House at King's Buildings. The building now houses three large PC labs, 10 classrooms and a lecture theatre, amongst other additions to the premises.

The Lister Learning and Teaching Centre has opened its doors at 5 Roxburgh Place. The existing spaces have been completely remodelled to provide a mix of classrooms to suit all needs. Likewise, an extensive refurbishment of the four storey building at 7-8 Chambers Street beside Adam House has been completed.

Work on the Edinburgh Futures Institute at the Quatermile is progressing too. The historic surgical building is to be restored as part of the £130m project, extended and upgraded to form a major interdisciplinary



Image © Andrew Perry



Edinburgh Futures Institute will be a major interdisciplinary institute, the largest of its kind in the UK. Image © Bennetts Associates

institute, the largest of its kind in the UK. This will radically change how education tackles the big questions of the future by bringing together leading academics across the arts, the humanities and the sciences with external partners from government and various sectors of the industry, from technology to finance and consulting.

We finished the year with approval from the University Court for a major new £48m development at the heart of King's Buildings Campus. Phase 1 of the KB Nucleus project will see the creation of a modern, multi-purpose learning, teaching and social hub on the site currently occupied by the KB Centre and will continue our investment in the King's Buildings Campus.

Equality and diversity

Everyone deserves an equal opportunity to study at Edinburgh. Higher education, and a student experience at Edinburgh, have the power to transform lives, not just of those who come to study with us, but for their families and communities; we can be both a world-leading centre of academic excellence and a place of opportunity for a diverse group of students, including those from some of the most deprived communities and under-represented groups in Scotland.

We have met the Commission for Widening Access targets of 10 per cent of our Scottish intake to come from the 20 per cent most deprived areas in Scotland two years ahead of schedule. Our 195 students

from Social Index of Multiple Deprivation (SIMD) 20 represent 11 per cent of this year's Scottish Undergraduate intake.

To help our current students from low income and other under-represented backgrounds, we are providing additional funds to support participation in sports and student societies. In 2017/18 there were 189 applications for funding, of which 140 students were allocated funding totaling £9,947. From 2019 onwards, we will be increasing the funding to respond to the high demand from students. 57 of these students were in receipt of a University of Edinburgh Scotland Accommodation Bursary, 73 were in receipt of a University of Edinburgh RUK Bursary. 75 per cent of students used the Grant for sports clubs, 20 per cent for societies, and 5 per cent for intramural sport. Find out more about this here: www.eusa.ed.ac.uk/about/findfunding/studentlife/

A pilot secondary school partnership programme, Your Ed, has also been launched to support more school students from low attaining or low-progression schools into the University of Edinburgh.

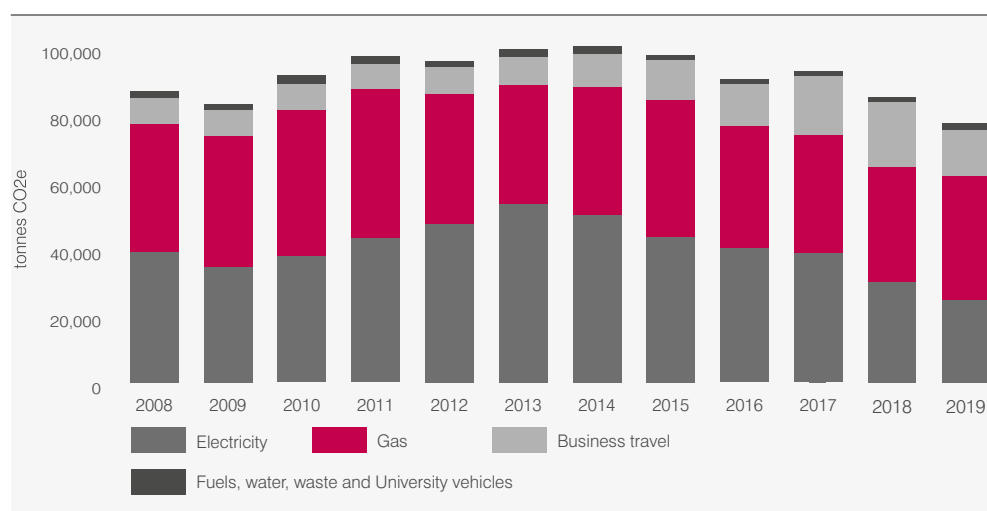
The Edinburgh Cares Committee has been established to ensure we provide excellent holistic support for our care experienced students. Our new Corporate Parenting Strategy and action plan is a part of the work of the committee and one positive development for 2020 is a new scholarship for £5,000 per year for Care Experienced and Estranged students at the University of Edinburgh.



University's Climate Strategy
www.ed.ac.uk/sustainability/what-we-do/climate-change/initiatives/zero-by-2040/read

Operational review (continued)

Absolute carbon emissions



The decrease in overall carbon emissions can be largely attributed to a 29 per cent fall in carbon emissions from electricity. This is due to a drop in the carbon intensity of the national grid and reductions from low carbon programmes, such as the Sustainable Campus Fund. There has also been a reduction in the carbon emissions associated with business travel. The quality of carbon emissions data is improving, which will result in more detailed analyses of changes in the coming years.

We have also been a founding partner in the HUB for SUCCESS this year, a service supporting care experienced students to access education.

To read our Widening Participation Strategy, www.ed.ac.uk/student-recruitment/widening-participation/about/widening-participation-strategy

As of 31 July 2019, 3.5 per cent (2018: 3.4 per cent) of our staff have declared they have a disability. The University aims to create an environment that gives all staff the opportunity to fully participate in University life, and we remain committed to a policy of equal opportunities for disabled staff and students.

delivering on the review focus areas, the implementation of adjustments for disabled students and accessibility of the estate.

Zero by 2040 - Responding to the climate crisis

Our commitment to sustainability has been recognised in high-profile forums. We received the Sustainability Institution of the year at the acclaimed UK Green Gown Awards. This was awarded for continuous work to adopt a whole institution approach and become a more socially responsible and sustainable university. The University then went on to be highly commended in the International final of the Green Gown Awards.

The University recognises that the climate crisis is one of the most pressing issues facing humanity. This is reflected in the University's Climate Strategy, which sets out the University's commitment to become carbon neutral by 2040.

A new Adaptation Framework was launched by the University in 2019, with the vision to become more climate-resilient. The Framework describes a whole institution approach that can result in a more resilient, 'climate-ready' estate and acknowledges embeddedness in the city of Edinburgh. It has been developed over the last year through the involvement of the University community, including academics, students and support groups, and with support from Adaptation Scotland.

The University recognises that the climate emergency is one of the most pressing issues facing humanity.

Last year, the Disability Review report and recommendations was published after engagement with disabled students and staff and input from the Student Disability Service, academic staff, Coordinators of Adjustments and others. Over the last year, the University has been focused on

Global Community

The University's Global Community team has won the Herald Higher Education Award for Equality, Diversity and Inclusion for the support it provides to refugees and students seeking asylum.

The team, based in Edinburgh Global, leads the University's Refugee Advisory Group and supports our strategic partnership with the Council for At-Risk Academics (Cara) by providing postdoctoral placements and helping to deliver in-country workshops for displaced academics. Taking an innovative approach in collaboration with Cara, we created and funded the post of Cara Scotland Manager to empower universities, research institutes and civic society groups to increase engagement in Scotland to support at-risk academics.

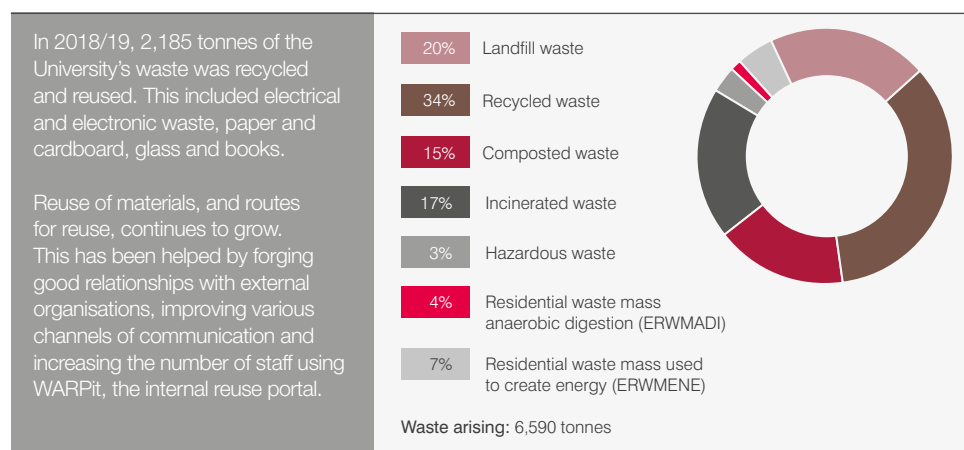
The University of Edinburgh Refugee Advisory Service offers coordinated advice and assistance to prospective students and staff with refugee or related status covering immigration, English language tuition, finance and scholarships, admissions, counselling support and more. We have widened participation to students seeking asylum from within the United Kingdom by setting fees as equivalent to 'Scottish domiciled' for undergraduate and postgraduate degrees.

Operational review (continued)

Key performance indicators

	2014	2015	2016	2017	2018	2019
Income (tonnes CO2e / £m)	128	116	100	100	89.4	72.2
Staff (tonnes CO2e / staff FTE)	11.5	10.6	9.7	9.3	8.4	7.3
Students (tonnes CO2e / student headcount)	3.3	2.8	2.4	2.3	2.1	1.8

University waste breakdown 2018/19



“I found myself feeling genuinely interested in learning more about career paths that I previously thought were not for me or just did not know existed.”

Global Insights participant

This year, the University has returned its carbon emissions to 2007/08 baseline year levels. It has also halved its carbon emissions, relative to expenditure, compared with 2007/08 baseline year levels.

The decrease in overall carbon emissions from last year can be largely attributed to a 29 per cent fall in carbon emissions from electricity. This is due to a drop in the carbon intensity of the national grid and reductions from the University's low carbon programmes, such as the Sustainable Campus Fund.

There has been an increase in carbon emissions associated with business travel, due to the increase in journeys. This has specifically been in carbon intensive journeys taken by flights, which has increased by 39 per cent since last year. The quality of carbon emissions data for business travel is

improving, which will result in more detailed analyses of changes in the coming years.

Carbon emission figures have been revised for 2017/18, specifically for business travel, following an issue with the calculation which has now been resolved.

The Sustainable Campus Fund was launched in 2016 as an internal investment vehicle to finance carbon reduction and energy efficiency projects. A total of £2.3m has been allocated since 2016, generating 1,600 tonnes of CO2e savings and over £520,000 of financial savings.

On campuses throughout the University, staff and students make a great contribution to the University becoming more socially responsible and sustainable and we continue to recognise this through our Sustainability Awards.

Staff teams participating in the Office and Lab Sustainability Awards represent schools, departments and research institutes from across the University. An estimated 30% of University staff have been reached by the Sustainability Awards through direct participation in the Awards and wider engagement work. 17 teams have been awarded Bronze, Silver or Gold Office awards, with nine laboratories receiving awards too. 18 student accommodation sites won awards, with more teams reaching gold than in previous years.

In the global arena, the University established an international network to address business travel emissions. It is critical that business

Operational review (continued)



The University attracts students and researchers with its word-class reputation

travel emissions are reduced in order to meet the University's commitment to become a net zero carbon university by 2040. Launched in 2019, the network has over 55 institutions from across the world, all committed to working together to address the growing emissions from business travel within the higher education sector.

Sustainable operations

Our mission to deliver high quality and impactful programmes of Social Responsibility & Sustainability has continued in the last year with work across the city and beyond.

To support the increase in reuse, the University approved a new Waste Strategy in 2018, which set out the vision to become a zero waste University by embedding Circular Economy thinking, and putting waste prevention, reuse and recycling at the forefront of our relationship with resources.

The ambition to source products from sustainable palm oil was outlined in the University's new Palm Oil Policy. Launched in 2019, the policy sets out actions the University will take to combat the negative impacts of unsustainable palm oil production. Central to this policy is a commitment to source food and cleaning products that contain certified sustainable palm oil.

If the University cannot verify that the palm oil in an item comes from a certified source that meets our requirements, then this item will be replaced with a certified alternative or

removed, wherever possible. The policy also includes a commitment to collaborate with students, researchers and other universities to respond to this complex issue.

In transport, efforts have been made to support the transition to electric vehicles. Our Estates Department replaced 14 operational vehicles used by the Maintenance Teams with like-for-like electric alternatives, meaning 30% of the Estates fleet now have zero emissions. Funding was secured to fund leases on electric vehicles for the University's Accommodation, Catering and Events Department and Central Bio-Research Services.

The University also played an active role in the launch of the Just Eat Cycles Scheme in 2018, the first city-wide cycle hire scheme in Edinburgh. The fleet of bikes increased from 200 to 500 by the end of 2018, with cycle hire points installed in the University's George Square Campus and King's Buildings Campus.

To meet the growing demand for electric vehicles the University has increased the number of electric charging points. The University has 21 across various locations, including 10 at King's Buildings campus, with further installations planned at the BioQuarter and Easter Bush and has secured funding to expand this in the future.

Influencing globally

As the Higher Education sector adapts to the UK's departure from the EU, the

University continues to collaborate in Europe and throughout the world.

The University has reinforced its commitment to European engagement by joining the UNA Europa Alliance to redesign the higher education sector across Europe.

The leading group of European partners includes Universidad Complutense de Madrid (Spain), Università di Bologna (Italy), Université Paris 1 Pantheon-Sorbonne (France), KU Leuven (Belgium), Freie Universität Berlin (Germany), the University of Helsinki and Jagiellonian University Krakow (Poland). In June 2019 it was announced that the Alliance has successfully secured €5m from the European Commission in support of its project to increase mobility, joint research and teaching programmes across the partner universities.

We have been inspiring international futures for students through the University's Insights Programme too. The programme aims to encourage short periods of safe and supported career and workplace exploration to inspire and enhance employability, increase confidence and build networks. It is specifically targeted at funding and support for students from a widening participation background to remove further barriers to participation and forms part of insight experiences and alumni connections across key host cities such as Brussels, New York, Washington DC, Singapore and Hong Kong.

Operational review (continued)

The University's commitment to supporting international mobility for all also encompasses successful participation in the Erasmus+ programme.

The Edinburgh Global team have successfully secured over £800,000 of additional funding from the European Commission to support staff and student placements, partnership development and knowledge exchange with countries beyond Europe. Building on our pole position as the UK's leading university for Erasmus funding, this additional external funding directly supports professional service and academic staff, as well as students, in securing work and study placements and training with partner universities across 16 nations across the world, ranging from Brazil, Uganda and Ghana to China, India and China.

Edinburgh Local has awarded £180,000 to more than 40 projects across the city since its inception in October 2017.

Contributing locally

Just as we make an impact on the global stage, the University also makes a positive contribution to city life. Our dedicated Edinburgh Local department provides funding and support for local community groups, runs projects to share the University's knowledge with the city and celebrates work done across the institution that engages with the Edinburgh community.

To date, Edinburgh Local has awarded £180,000 to more than 40 projects across the city since its inception in October 2017. Grants of up to £5000 are available to help develop community activities and sustainable initiatives. Successful projects must seek to make a positive social impact, create learning opportunities and increase engagement between the University and local communities.

Elsewhere, Edinburgh Local's Digital Ambassadors project was recognised with a nomination for a prestigious Green

Gown Award, alongside other sustainability projects outlined elsewhere in this report.

The Digital Ambassadors project was nominated in the 'Benefitting Society' category for increasing digital literacy. The project has grown with 19 members of the University community helping four different groups expand their digital skills, including the elderly and Muslim women looking to return to work.

Departments and individuals throughout the University also continue to do valuable work with the local community. Colleagues and students have joined forces with residents for a community clear-up in the Southside area, sporting students have mentored promising Basketball players at the Craggs Sports Centre, the Business School ran a mini-festival on 'Internationalisation at Home' and our Estates Team has raised over £5,500 for dementia research.

In Summer 2019, we reaffirmed our commitment to the local community by signing the Social Impact Pledge from Communities Channel Scotland to develop and introduce even more ways to engage with the city in the coming year.

Annual Procurement Report

The Procurement Reform (Scotland) Act 2014 (PRA) requires any publicly funded organisation which has an estimated annual regulated¹ spend of £5 million or more to have a procurement strategy, and for it to be reviewed annually. As University regulated spend for 2018/19 is estimated to be £320 million, we must comply with this statutory requirement.

The Joint Directors of Procurement are responsible for producing the University Procurement Strategy and the Annual Procurement Report. The University Procurement Strategy is reviewed by the University Executive through its Procurement Risk Management Executives, including relevant subsidiary company members, and is published annually on our website.

The Annual Procurement Report must reflect the relevant reporting period and report on specific items, as described in the PRA and other relevant supporting statutory guidance. It also addresses our performance and achievements in delivering the University Procurement Strategy for legal compliance and strategic impact². As it is a statutory report, it is also made available to the public by the Scottish Government.



University Procurement Strategy

www.ed.ac.uk/procurement/policies-procedures/university-procurement-strategy-annual-procurement

Principal and Vice Chancellor

www.ed.ac.uk/principals-office/principal-and-vice-chancellor-role

GO Scotland Award 2019

www.goawards.co.uk/scotland/award-categories/2019-20-winners-finalists/



¹ www.ed.ac.uk/procurement/policies-procedures/university-procurement-strategy-annual-procurement

² Procurement & Commercial Improvement Programme is an independent evidence-based benchmark for public procurement in Scotland www.procurementjourney.scot/procurement-and-commercial-improvement-programme-0



Supporting our Community

The Yard Scotland runs adventure play services for disabled children, young people and their families in the east of Scotland. The charity received community grant funding from the University in Spring 2019 to purchase holistic and natural play equipment for disabled children aged 0-5.

All of the equipment can be adapted to fit different heights and scenarios so new play situations can be used to challenge and develop young minds and bodies. Activities have included a foamy pool party, pendulum painting and lots of messy, sensory play.

These sessions have helped to aid cognitive development, fine muscle control, muscle dexterity and hand-eye coordination, whilst giving children and parents a forum for social interaction and allowing them to make new friends.

The early years service also acts as a safe and non-judgemental place where parents or carers can come and share experiences with others going through similar situations. By providing a space for parents and carers, the Yard creates a community of happier, empowered and more resilient families.

Financial review



Finance Director's foreword



Lee Hamill
Director of Finance

Having taken up the position of Director of Finance in January of 2019, I would firstly like to offer my sincere thanks to the many colleagues, students and friends of the University who have so wholeheartedly welcomed me into the role.

Notes to table

1. Excludes USS increase in provision (non-cash movement)

With the launch of our new Strategy 2030, and against the backdrop of an increasingly volatile and uncertain external environment, it is more important than ever that we remain focused on maintaining our high standards of financial performance and sustainability in the short, medium and long term.

I am therefore pleased to report a strong operating performance for the year delivered in the context of a challenging set of circumstances for the Higher Education Sector and economy as a whole. I remain confident that the University has a solid financial platform to enable our academic mission and to support our students, staff and communities as we work together to deliver our shared ambitions.

Headline figures for the year

Our headline performance for the year was positive, with the University's total income growing by 12 per cent to £1.1bn and our key metric of Operating Surplus improving to £61m, or 5.5 per cent of total income. In calculating our Operating Surplus figure, we have removed a non-cash accounting adjustment relating to movement in our USS pension provision. This leaves us with a more effective measure of our ability to generate cash from our operations to reinvest in University activities and an indication of future financial sustainability. Our full financial results for 2018/19 are reviewed in more detail on pages 34-38 with a summary of income and expenditure presented on page 34, expanding on the table below.

	2019 total £m	2018 total £m
Income	1,102	984
Expenditure (1)	(1,027)	(958)
Exceptional item: Loan break costs	(14)	-
Operating surplus	61	26

Pensions Impact

It has been another turbulent year for our largest pension scheme, the Universities Superannuation Scheme (USS), and we provide a thorough account of the main developments on pages 35-38 of the Financial Review.

A revised statement of contributions, resulting from the March 2017 valuation, was agreed during the year resulting in a non-cash charge of £195m. A new statement of contributions, resulting from the scheme's March 2018 valuation was agreed after our financial year end, in September 2019. Had that been agreed prior to our financial year end at 31 July 2019, the net, non-cash, charge for the year would have been £136m lower at £59m. Due to the timing of this announcement, post 31 July, this is reported as a non-adjusted post-balance sheet event in the financial statements.

As in 2018, the University will seek to manage any potential impact of the ongoing pensions dispute on teaching, the student and staff experience and on the services we provide. We continue to support the ongoing work of the Joint Expert Panel in finding a long-term sustainable and affordable solution for the USS scheme.

The University also recorded a non-cash actuarial loss on our funded pensions schemes of £70m during the year, driven in the main by various changes to actuarial assumptions for the Edinburgh University Staff Benefits Scheme (EUSBS).

The net impact of the USS non-cash charge and University's non-cash actuarial loss relating to our funded pension schemes was £265m in the year. Combined with a £4m gain on disposal of assets and an unrealised gain on investments of £37m, the pension charges convert our £61m Operating Surplus into a comprehensive expenditure of £162m. When this is compared with the prior year's equivalent figure of net comprehensive income of £171m, driven by a £101m non-cash actuarial gain on our funded pension schemes, this reporting format further serves to highlight the current volatility in pension accounting.

These presentational items in the financial statements should not distract from what was a strong operating performance in the year.

Transforming our physical and digital estates

We have continued to invest in the University's physical estate to provide innovative, safe and sustainable places to support world-class academia. Capital investment in our physical estate was £143m with a total of 15 wide-ranging projects delivered, including a number of new build and refurbishment projects providing an increased number of teaching, learning and study spaces and better facilities for our staff and students.

As outlined in our Operational review, completed projects included the Lister Learning and Teaching Centre, the Bayes Centre, The Law School, alongside a significant number of other improvements.

Our work to transform the former Edinburgh Royal Infirmary complex into the Edinburgh Futures Institute continues at pace and is on schedule to open by the end of 2021. The Wellbeing Centre at Bristo Square, the Centre for Tissue Repair at the BioQuarter and the Large Animal Research and Imaging Facility (LARIF) at Easter Bush and new additions to our King's Buildings campus are all planned for 2020/21.

This year also saw great strides being made in the transformation of our digital estate with the procurement of a complete refresh of our University's campus data network.

Finance Director's foreword (continued)



The victorious University Challenge team. Image © ITV Studios

The University's Estates Capital Plan was approved by Court in April 2019 and projected spend over the next 10 years is £1.4bn. A number of these projects are directly related to the City Region Deal and require significant capital investment in early years to develop the physical infrastructure to support its activity.

These important investment plans were further supported and enhanced this year by an additional £250m of borrowing via a private placement. We secured this additional long-term funding, at terms of up to 30 years, in its entirety from one of our existing lenders with an average cost of borrowing of less than 2.7 per cent. Our ability to raise additional capital at such historically low levels has also enabled us to repay £36m of expensive historic debt early during the year.

Transforming our Professional Services

Our Service Excellence Programme is an essential component in our University 2030 strategy and aims to make our University an even better place to study and work.

The programme focuses on five areas; Finance, Human Resources (HR), Student Administration & Support, Student Recruitment & Admissions and Core Systems. Each area has an ambitious agenda that will help transform services, processes, systems and ways of working; reducing duplication, making things simpler for our people and ensuring we are fit for the future.

We have made significant progress in the last 12 months, seeing the focus shift firmly from planning to delivery of successful projects. Most significantly, following a comprehensive procurement process, our Core Systems Programme is now well underway. Experts from

across the University are now working with our technology partners, Inoapps and Oracle, supporting the design and delivery of a new system for Finance and HR that will underpin and enable our new services and processes.

Transforming skills through Data Driven Innovation

As a partner in the £1.3bn Edinburgh and South East Scotland City Region Deal, we are making significant progress in the delivery of the £660m Data-Driven Innovation (DDI) Programme – the largest component of the City Deal.

Since the Prime Minister and First Minister visited the University in August 2018 to sign the City Deal, the DDI Programme has been laying the foundations for our 15-year plan to increase the impact of research and data analytics expertise. We are also playing a leading role in the DDI Skills Gateway, which aims to improve data skills for all the region's citizens, especially among disadvantaged and hard-to-reach groups. You can read our case study on the impressive Bayes Centre, the first of five DDI hubs, on page 39, and find out more about our institutional links to the project in our Operational Review.

Conclusion

Finally, I would like to pay a word of special thanks to our student body who continue to challenge and inspire to drive the University forward – just look at our impressive and historic University Challenge victory this year!

As our students are foremost in our plans, it is therefore fitting that we commissioned talented University student photographers to capture many of this year's Annual Report and Accounts images.

Meet our photographers

Much of the photography for this year's Annual Report and Accounts was provided by three student photographers, Alice, Daniel and Wami.

The students were commissioned as part of a joint initiative by Team Finance and the Edinburgh University Students' Association to provide a fresh and vibrant take on the student experience.



Alice Nunn

Degree: Graphic Design

Having studied graphic design at Edinburgh College of Art, Alice learnt the importance of photography within the field and became interested in learning the craft more, outside of her studies. She enjoys capturing moments that may not be focused on in everyday life, exposing realities and highlighting mistakes in an aesthetic way.

 @graphalice



Daniel Sun

Degree: Medicine

Alongside his studies, Daniel has developed his love for street photography from a hobby into a career. Down the line, he hopes to bring together his interests in global health and candid documentary.

 @sunxjin



Wami Aluko

Degree: Philosophy

Wami is a Nigerian conceptual and documentary photographer, creative director and filmmaker. Through her art, she aims to visually tell stories, highlighting the beauty in people, cultures and even seemingly mundane everyday occurrences - though from a distinct and surreal point of view.

 @wamialuko

Financial review

University income has this year exceeded £1.1bn, growing by 12 per cent in the year from £984m to £1,102m.

Excluding non-cash staff costs relating to pensions, financial performance during the year shows an operating surplus of £61m. This is a £35m favourable variance to the surplus reported last year (2018: £26m). The balance sheet remains strong with total net assets amounting to £2.1bn (2018: £2.2bn).

These financial statements have been prepared on a consolidated basis and include the financial results of the University, and its subsidiaries (and a share of the results of its joint ventures). The subsidiary operations include accommodation letting, research, publishing, catering services and the supply of utilities services to the University.

The University is a key partner in the Edinburgh and South East Scotland City Region Deal, benefitting from a government grant of circa £230m over the ten-year life of the deal. We have now begun to receive funding, recording grant income of £51m in 2018/19.

On 16 August 2018, the University contracted to raise £250m of new debt through a private placement with a US financial institution. The debt raised has been secured at a very competitive interest rate over a long period and will largely be deployed in support of our Capital Investment programme, following repayment of older expensive debt. This resulted in exceptional loan break costs of £14m. The funds were drawn down by the University on 30 October 2018 and will be repaid over a staged 20 – 30 year period.

Scope of the Financial Statements

These accounts have been prepared in accordance with the Statement of Recommended Practice Accounting for Further and Higher Education Institutions 2015 (SORP 2015) and with Financial Reporting Standard (FRS102).

Financial Performance

Commentary on financial performance in 2018/19 excludes the impact of non-cash staff costs of £195m, relating to movement on the USS pension provision in the year. The USS pension charge is a result of the University holding a provision on its balance sheet for our share of the USS Deficit Recovery Plan. The movement year on year (either up or down) does not represent cash moving in or out of the organisation as it is an accounting adjustment.

The University surplus before other gains and losses has increased to £61m (2018: £26m) reflecting £51m new government grant income from City Region Deal.

Financial Reporting Standard 102 reporting requires that unrealised gains and losses, which would previously have been reported within the Statement of Total Recognised Gains and Losses, are reported as part of the Statement of Comprehensive Income and Expenditure. These gains and losses, which are not realised cash movements, form part of the Total Comprehensive Expenditure for the year of £162m.

Summary I&E

	2018/19 £m	2017/18 £m
Total income	1,102	984
Total expenditure (1)	(1,027)	(958)
Exceptional loan break costs	(14)	0
Operating surplus	61	26
Exceptional USS provision movement (non-cash)	(195)	1
(Deficit)/surplus before other gains and losses	(134)	27
Gain on disposal of fixed assets	4	0
Gain on investments (non-cash) (2)	37	43
Taxation	0	0
(Deficit)/surplus for the year	(93)	70
Unrealised surplus on revaluation of heritage assets (non-cash)	1	0
Actuarial (loss)/gain in respect of pension schemes (non-cash) (3)	(70)	101
Total Comprehensive (Expenditure)/income for the year	(162)	171

Notes to table

1. Expenditure excludes £195m exceptional staff costs (non-cash) relating to movement on USS pension provision in the year.

2. An unrealised gain which is subject to the volatility of investment movements.

3. Non-cash movement - this is the difference, year on year, of revisions to the estimated value of the pension scheme assets and liabilities.

Financial review (continued)

Income

Total income in 2018/19 was £1,102m (2018: £984m). This represents an increase of 11.9 per cent from last year and is less than growth in expenditure. Tuition fees income grew strongly in the year to £347m (2018: £312m), representing an increase of £35m (11.2 per cent). This year shows a 5.0 per cent growth in student number headcount to 43,380 (2018: 41,312).

The funding mix for the University is very similar to last year, with tuition fees accounting for 31 per cent (2018: 32 per cent) of the University's total income.

Research income grew by 2.1 per cent on the previous year to £286m (2018: £280m). UK based charities now account for 23 per cent (2018: 21 per cent) of total research funding, and income from other overseas sponsors continues to grow strongly, increasing from £16m to £21m in the year. The University is listening closely to the dialogue around EU research funding as the conversation continues on the UK's departure from the EU.

£234m of the University's income, 21 per cent (2018: 17 per cent) is earned from sources other than teaching and research. Other income in total increased by 39 per cent (£65.7m) on the previous year, largely due to City Region Deal grant funding of £51m received in the year. Additionally, income generated from residences and catering grew by 11 per cent to £79m (2018: £72m).

Expenditure

Total expenditure in 2018/19 was £1,027m (2018: £958m), excluding impact of non-cash staff costs relating to movement on the USS pension provision and exceptional loan break costs. Staff costs represented 54.6 per cent of the total expenditure (2018: 54.5 per cent).

Other operating expenses included expenditure on student accommodation, scholarships and bursaries, library services, utilities and premises maintenance costs, and administration costs. Other operating expenses (excluding depreciation) for the year were £383m (2018: £359m), a seven per cent increase on last year. Contributing to the growth were notable increases in spend on scholarships and stipends, residences and catering, and administration and central services.

The University offers generous assistance to students studying at Edinburgh. In 2018/19 we provided £16.2m in centrally administered financial support to students (including scholarships and assistance with fees) an increase of £0.6m from the £15.6m provided in 2017/18.

The University's depreciation charge increased by six per cent to £64m (2018: £60m), in line with our expectations and capital investment programme.

Impact of pension deficit

The University has recorded an actuarial deficit on its funded pension schemes fund of £70m in the year, a large movement from the previous year when we recorded

an actuarial gain of £101m. The actuarial loss is a non-cash movement and is not a measure of the University's operational financial performance or surplus generation. It is simply the difference year on year of revisions to the estimated value of the pension scheme assets and liabilities in the University's own defined benefit pension scheme.

Financial Reporting Standard 102 affects certain disclosures, measurement and recognition of certain assets and liabilities. There is potential for figures to fluctuate year on year due to changes in market value and changes in actuarial assumptions. This makes direct comparisons with previous years' surplus challenging.

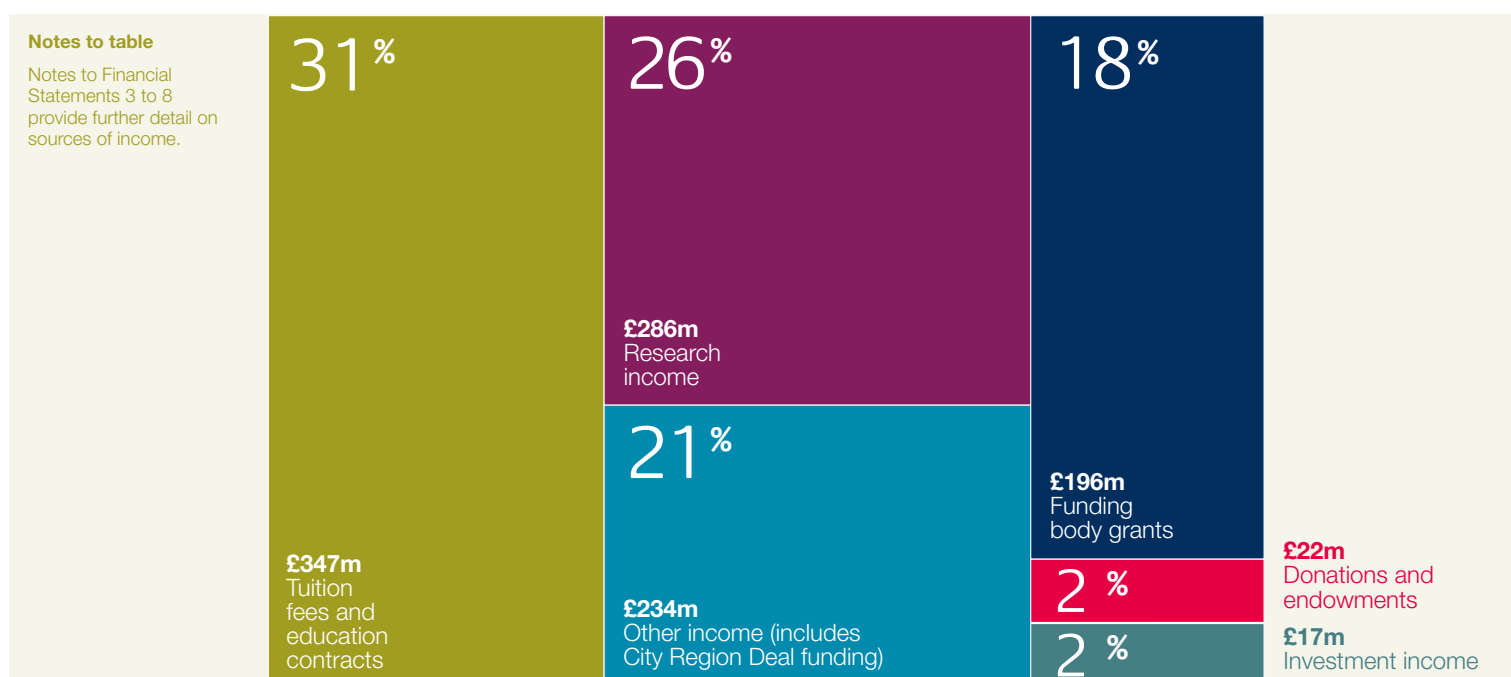
Certain assumptions are used to value the future liabilities of the pension scheme and the assets belonging to the pension scheme. These estimates reflect changes to the actuary's assumptions as a result of another year's experience. The majority of the actuarial loss for the current financial year is derived from the University of Edinburgh Staff Benefits Scheme (EUSBS). The actuarial gains and losses for the past four years are as follows:

EUSBS Gain/Loss Trend

Year	2016	2017	2018	2019
Actuarial (Loss)/Gain	£m (40)	£m (8)	£m 95	£m (63)

The actuarial gain or loss can vary greatly from year to year depending on the re-measurements which have taken place.

Sources of income 2018/19



Financial review (continued)

How we allocate our resources 2018/19

£427m Academic and related expenditure	Total Staff Costs £756m	
	Total Other Operating Expenses £383m	
	£304m Staff costs	Total £1139m
	£123m Other Operating Expenses	£756m staff costs and £1,139m total expenditure both include exceptional impact of £195m non-cash staff costs relating to movement on the USS pension provision in the year. Total expenditure does not include depreciation and interest and other finance charges.
£227m Research grants and contracts	£120m Staff costs	
	£107m Other Operating Expenses	
£197m Pension costs in excess of scheme contributions payable	£197m Staff costs	
	(includes £195m relating to non-cash movement on USS pension provision)	
£75m Premises costs including utilities	£22m Staff costs	
	£53m Other	
£76m Administration and central services	£51m Staff costs	
	£25m Other	
£62m Residences and catering operations	£17m Staff costs	
	£45m Other	
£48m Library, computer and other academic support services	£33m Staff costs	
	£15m Other	
£27m Other including income-generating operations	£12m Staff costs	
	£15m Other	

The EUSBS is in deficit – the present value of the scheme liabilities are greater than the market value of the scheme assets.

The net liability of the EUSBS as at 31 July 2019 was £121m, having increased from a £55m deficit as at 31 July 2018. The deficit on the EUSBS is reported on the balance sheet under Pension provisions.

Breakdown of EUSBS actuarial loss:

EUSBS Actuarial Loss

	Note	£m
Demographic assumptions gain	1	1
Financial assumptions loss	2	(91)
Member experience gain	3	0
Asset return gain	4	27
Total loss		(63)

The actuarial loss of £70m is broken down as per the table below. The majority of it relates to the EUSBS with the Lothian Pension Fund, Strathclyde Pension Fund and unfunded pensions making up the remainder (see note 31 for further details on the pension schemes).

Actuarial Loss per pension scheme:

Actuarial Loss

	Actuarial Gain £m
EUSBS	(63)
Lothian Pension Fund	(1)
Strathclyde Pension Fund	(5)
Other unfunded	(1)
	(70)

Update on USS

Economic uncertainties continue to compound the challenges facing the University's largest Pension scheme, USS. Since the previous report gilt yields have not recovered any ground and investment performance is beginning to show signs of an expected slow-down. This combination of factors means that any narrowing of the gap between assets and liabilities in the scheme has not yet occurred.

Since the previous report the Joint Expert Panel (JEP) has concluded the first phase of its work, which considered the actuarial assumptions used by the Trustee in the 2017 valuation and considered alternatives to the imposition of rule 76.4-8 which had been invoked due to the withdrawal of the Joint Negotiating Committee (JNC) proposal. As a result of the JEP recommendations the USS Trustee agreed to conduct a new valuation based on 31st March 2018 with some changes to the assumptions, though not all of the JEP recommendations were adopted.

Notes to table

1. The demographic assumptions gain is as a result of adopting new commutation factors. The commutation factors have been updated to reflect those adopted for the final 2018 Trustee valuation results, which are lower than those previously adopted, resulting in a small gain.

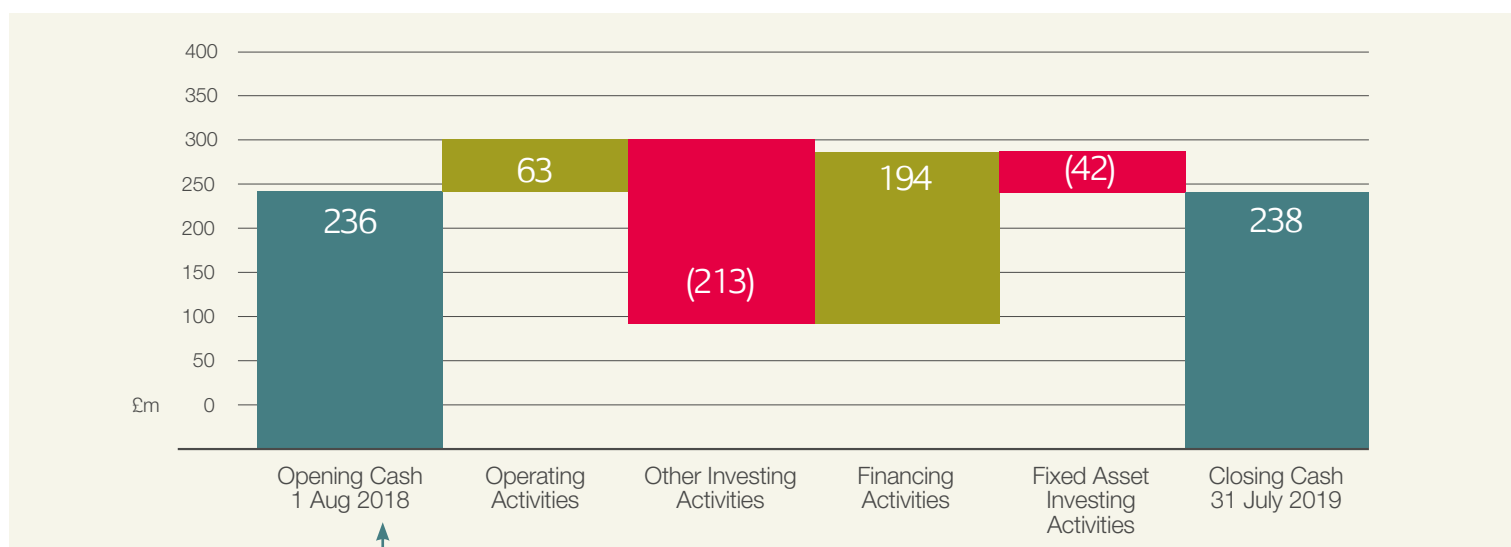
2. The financial assumptions loss is driven by a decrease of 80 bps to the discount rate compared with 31 July 2018. This has been coupled with a slight increase in inflation expectations which results in higher expected increases to pensions and a further increase to the Scheme's liability.

3. The member experience gain is as a result of incorporating the final valuation data from the Trustees' 2018 valuation, whereas the 2018 accounting results were based on the preliminary valuation data from the Trustees' 2018 valuation.

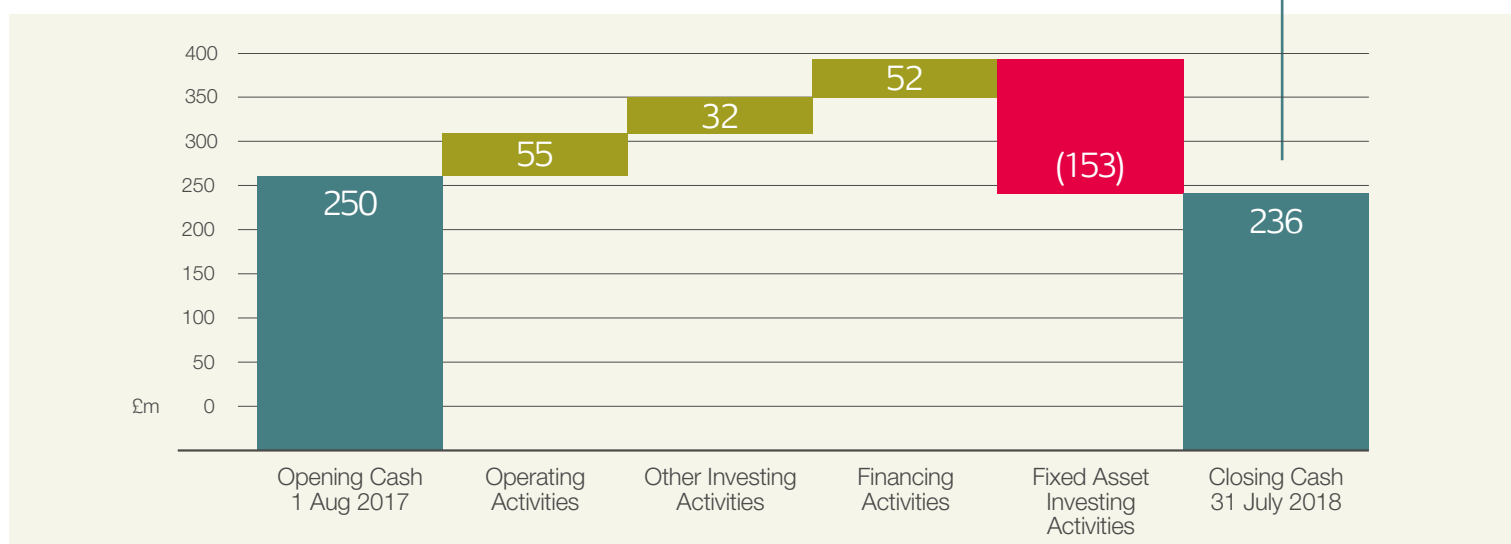
4. The asset return gain is as a result of investment returns being in excess of the return expected by the discount rate at 31 July 2018.

Financial review (continued)

Cashflow statement 2018/19



Cashflow statement 2017/18



Refer to Consolidated statement of cash flows, page 55

The outcome of the 2018 valuation produced proposals which were materially better compared to the 2017 valuation and rule 76.4-8. The USS Trustee consulted on the use of contingent contributions as part of the solution, and the sector, through Universities UK (UUK), responded by developing a contingent contribution model which provided worked and worst-case scenarios. The University supported this approach, accepting the temporary nature of the arrangement and acknowledging the preference for this over rule 76.4-8.

In response to the UUK proposal the USS Trustee proposed three options to conclude the 2018 valuation. Option 3 would see the second phase of the implementation of rule 76.4-8 superseded by an increase to contributions which is held until 2021, by which time the 2020 valuation will have been completed

and the JEP will have had an opportunity to report on the second phase of their work. Option 3 also requires an undertaking that no employers seek to leave the Scheme and that new debt monitoring arrangements will be introduced to give the Trustee visibility of new debt obligations that may affect the strength of the employer covenant.

The sector broadly supported this option and the JNC formally recommended Option 3 to the USS Trustees. The Universities and Colleges Union (UCU) voted against the proposal, arguing a position of no-detriment, but the casting vote of the JNC Chairman was in support of the proposition. USS has since consulted on this proposal and the contribution rate changes planned for October 2019 now follow this option rather than rule 76.4-8.

Notes to table

1. Outflow on other investing activities reflects purchase of fixed asset investments with funds from new debt raised.
2. Inflow from financing activities relates to new debt drawn down in the year, less planned repayment of expensive old debt.
3. Fixed asset investing activities is payments made to acquire fixed assets, net of capital grant receipts.

Financial review (continued)

In October 2019, members of the University branch of UCU took part in two separate ballots which resulted in votes in favour of strike action and action short of a strike. This action is in support of UCU's disputes regarding the joint unions' 2019/20 pay claim and the increase in member contributions to the Universities Superannuation Scheme. As in 2018, the University will seek to manage any potential impact of such action on teaching, the student and staff experience and on its services. The University continues to support the ongoing work of the JEP to finding a long-term sustainable and affordable solution for the USS scheme, and considers provision for saving for retirement to be a key element of the overall remuneration of staff.

Cashflow and Financing

The University cash and cash equivalents balance at 31 July 2019 was £238m (2018: £236m). New debt drawn down in the year, net of planned repayment of older expensive debt, has been placed in fixed asset investments until required for the Estates Capital Plan.

Net Assets

Total Net Assets £2.05bn (2018: £2.22bn) have decreased by seven per cent, driven by a £270m increase in pension provision liability (USS £198m, SBS £66m and other £6m). The net book value of fixed assets increased by £77m to £1.82bn (2018: £1.74bn). This is a reflection of the University's programme of estates development and equipment procurement.

Endowments

In the year to 31 July 2019, the Endowment and Investment fund unit price rose to £44.95, (31 July 2018: £42.36) representing an increase of 6.1 per cent.

The Investment Committee regularly reviews the fund managers and asset categories in the unitised fund to diversify risk while optimising returns. All of the University's fund managers are signatories to the United Nations Principles of Responsible Investment (UNPRI). Our Responsible Investment Policy can be found at www.ed.ac.uk/about/sustainability/themes/responsible-investment.

Institutional sustainability

The University of Edinburgh's governing body, the University Court, has comprehensive arrangements in place to monitor, assess and ensure the institution's sustainability. The University's *Strategic Plan 2016* performance measures provide a benchmark for the University Court and its committees to annually consider and review progress against. These measures cover the University's activities including teaching, learning and the student experience, research outputs, financial performance and sustainability, financial health and other key areas. This annual reporting is supplemented by in-year reporting of areas where further work is required.

Outlook

The University has progressed well over the last year, and we are confident that the institution is well placed financially to deal with its short and longer term commitments. The consequences of leaving the EU still remain to be seen, but our commitment to generating surplus and optimising our cost base provides a clear pathway for ongoing stability. The University is also capable of tackling significant change as it arises, and including compliance with the provisions of the new Scottish Code of Good Higher Education Governance 2017.

To maintain our commitment to a holistic and integrated reporting model, we will monitor developments in the practice to continually provide the most innovative and best quality assessment of our financial position to our broad audience of stakeholders and other interested parties. These will increasingly reflect the strategic thinking, forecasting and reporting we apply across the University.



Anne Richards

Vice-Convener of Court
2 December 2019

Bayes Centre

The year began with Her Royal Highness The Princess Royal formally opening the Bayes Centre, a £45m building housing about 600 researchers, students, and entrepreneurs over five floors.

The Bayes Centre aims to develop and apply data science and artificial intelligence – drawing meaningful insights from vast amounts of information – for the benefit of society.

This might involve identifying trends from healthcare data to improve disease management, analysing traffic data to improve transport, or enabling businesses to improve products or services.

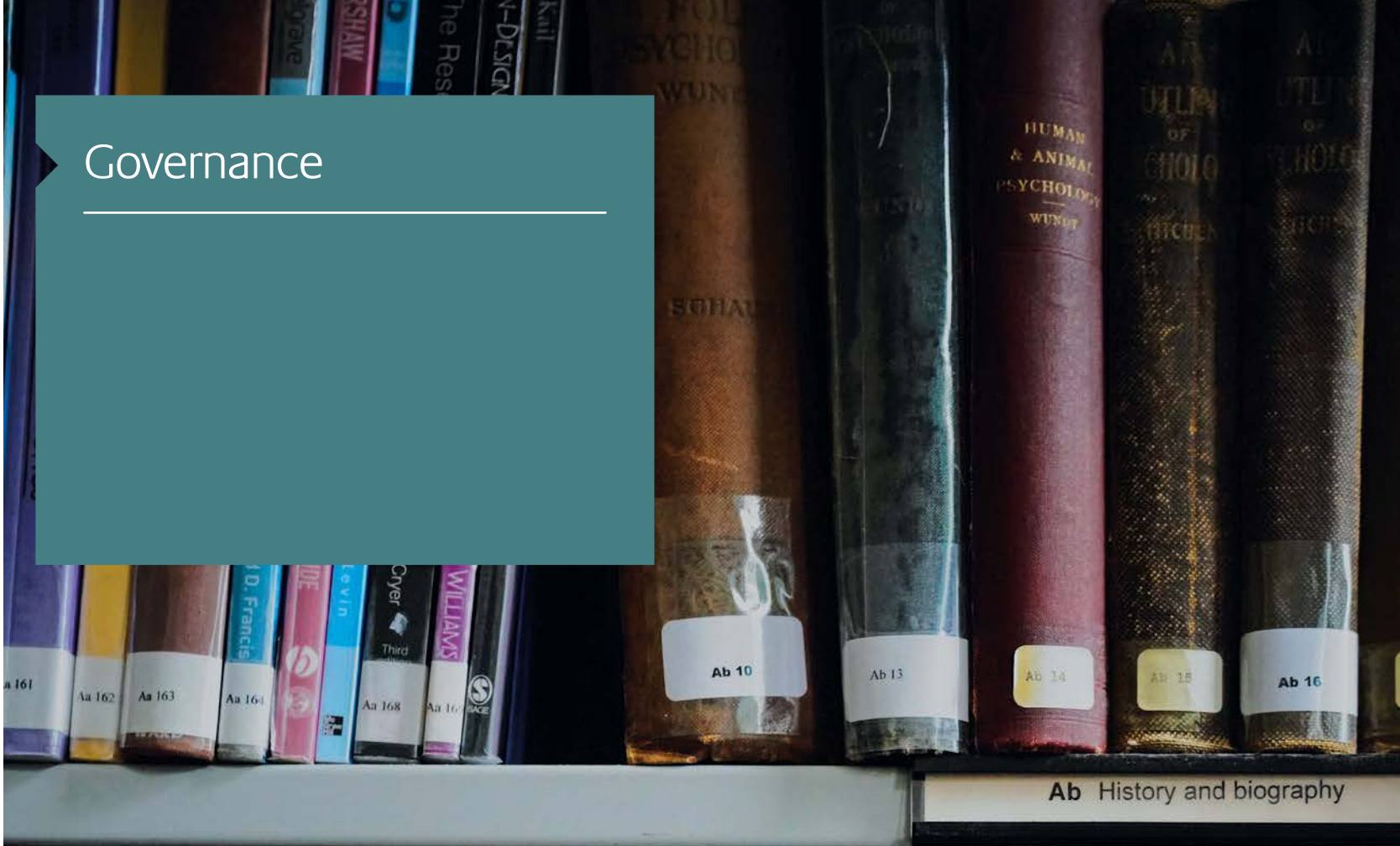
The Bayes Centre is the first of five data-driven innovation hubs being created as part of the recently-announced Edinburgh and South East Scotland City Region Deal.

The new hubs will help business and public sector organisations improve products and services through collaboration with researchers and data analysts. They will embed their research and development teams in the University environment to facilitate collaboration. The initiative is supported by Scottish Enterprise, which has part-funded the Bayes Innovation Programme to help encourage this collaboration.

The building takes its name from the Reverend Thomas Bayes, who studied logic and theology at the University of Edinburgh from 1719 until 1722.

He is best known for devising Bayesian statistics, the mathematical foundation for reliable forecasting. It is widely used today, for example in the financial markets, to forecast the weather or to filter spam emails.

Governance



Corporate governance statement

The University of Edinburgh continues to work to maintain the highest standards of corporate governance.

Throughout 2018/19, the University has continued to ensure effective corporate governance, conducting its affairs in a responsible and transparent way to support effective strategic leadership and executive management in the fulfilment of its vision, purpose and values.

The University has continued its work to ensure compliance with all the principles and provisions of 2017 Scottish Code of Good Higher Education Governance (the Code) within the transition period. From 1 January 2019, Remuneration Committee has included a staff and student Court member and on 22 May 2019, the Privy Council approved a new ordinance on the Composition of Court, which will be fully in effect by 1 August 2020. Nominations Committee, which includes representatives from the main stakeholder groups on the University Court including student, Senate, General Council and co-opted members, has given careful consideration to the role of the Senior Lay Member in time for the election of the Senior Lay Member in Spring 2020, to take office on 1 August 2020. The University will therefore be fully compliant with the Code by 1 August 2020.

bodies in the Governance of the University: Court, Senate and General Council.

University Court

Throughout 2018/19, the University Court had 22 members. The Rector, who is elected by staff and students of the University, presides over meetings of Court. The role of the Vice-Convener of Court is similar to that of chair of institution in many other universities in that the Vice-Convener is responsible for the leadership of the University Court. The Vice-Convener was appointed by an open, transparent recruitment process, managed by the Nominations Committee which included involvement by staff and students. Court has a majority of lay members, including assessors appointed by the Chancellor and the City of Edinburgh Council and elected by General Council. There are also assessors elected by members of Senate and by non-teaching/academic staff from amongst their number and two fully matriculated student members nominated by Edinburgh University Students' Association. The Principal is an ex-officio member and acts as the Chief Executive Officer of the University and its Accountable Officer. Co-opted members of Court and external members of the Court Committees are appointed through a robust, transparent, open advertisement and interview process managed by the Nominations Committee, (which includes staff and student members) taking into consideration skills, experience and diversity. A Skills Register is maintained for all Court members at: www.docs.sasg.ed.ac.uk/GaSP/Governance/Court/SkillsRegister.pdf.

The terms of office of the two student representatives ceased at the end of the academic year 2018/19 and they were succeeded by new members. The terms of office for two co-opted members, two General Council Assessors and the Chancellor's Assessor ceased at the end of academic year 2018/19. Two new co-opted members were recruited following an open and transparent recruitment process and two new General Council Assessors were recruited following an open advertisement and recruitment process overseen by a joint Court-General Council Selection Panel. The Chancellor confirmed a new appointment to the role of Chancellor's Assessor. The gender balance of Court as at 31 July 2019 was 50% Female:Male. Training and development opportunities are made available as appropriate for all Court members throughout the year and a mentoring scheme for new Court members is also in operation.

Training and development opportunities are made available as appropriate for all Court members throughout the year

Throughout 2018/19 the statutory consultation and approval process has progressed for an ordinance relating to the composition of the Senatus Academicus and ordinances related to the General Council and with the assistance of the Scottish Government and Privy Council Office, the University expects to be fully compliant with the Higher Education Governance (Scotland) Act 2016 within the four year transition period to December 2020.

University governance

The University of Edinburgh is constituted by the Universities (Scotland) Acts 1858 to 1966. The Universities (Scotland) Acts make specific provision for three major

Corporate governance statement (continued)

Court is committed to ensuring ethical standards in public life. On joining Court, members are required to sign a statement confirming that they will comply with the University's Code of Conduct, which includes the 9 Principles of Public Life in Scotland. Court maintains a Register of Interests of its members and senior University officers. The current interests of members of the Court are published on the University's web site at: www.docs.sasg.ed.ac.uk/GaSP/Governance/Court/RegisterofInterests.pdf

The University is committed to protecting and respecting human rights and has a zero tolerance approach to slavery and human trafficking in all its forms. Court has approved a statement in relation to slavery and human trafficking, in compliance with the Modern Slavery Act 2015, published on the University's website at: www.ed.ac.uk/sustainability/what-we-do/supply-chains/initiatives/modern-slavery/statement

Court met on five occasions during 2018/19 and between meetings considered any urgent matters which required Court approval via the Exception Committee, which has delegated authority to enable decisions to be taken between Court meetings. Members were also kept informed by electronic means of any significant issues affecting the University. Court seminars were held in October 2018 and in February 2019 on the University vision and strategic plan and the student experience. In April 2019, Court held its annual 'Meet the Court' event, held at different campuses around the University, at which the Principal, Vice-Convenor of Court, Rector and University Secretary delivered presentations to staff and students on the activities of Court and led a question and answer session.

Court has overall responsibility for the University's strategic development and is actively engaged in the University's strategic planning processes and in monitoring progress against the Strategic Plan, supported by the work of its Committees. In June 2019, Court approved the final text for a new strategy that is values-led, defining the way in which we will deliver our mission and make a difference to staff, students, society and the University's key stakeholders.

During 2018/19, as well as the more routine items, Court considered the following:

- Approval of an ambitious, multi-year programme of work to enhance the student experience, aligned to a programme of work on the staff experience which is underpinned by the results from the first all-staff engagement survey.

- Approval of a capital prioritisation exercise based on principles of student centred, academic inter-disciplinarity and engagement with the wider community.
- Approval of a student accommodation residential strategy taking cognisance of the socio-economic mix and geographical spread of student accommodation and the future integration with the emerging transport strategy; the proportion of family/couples accommodation; the estimated proportion of incoming Edinburgh-based students who would wish to take University accommodation; opportunities for student co-operatives; and community engagement.
- Approval of a proposal to develop a hub with modern learning and teaching accommodation adjacent to support activities such as study spaces, library, student services, catering, sport and social facilities, to be known as the King's Buildings Nucleus.

Court News is published after each Court meeting on the University webpages highlighting key items considered by Court. Court also continued to receive reports from the EUSA President outlining activities and matters arising from the student body.

Performance evaluation

Alongside Court's annual review of its effectiveness, during 2018/19, there was an external review of the effectiveness of Court and its committees facilitated by David Newall, former Secretary to Court and Director of Administration at the University of Glasgow and current Chair of the Board of Management at Glasgow Clyde College. This identified areas for Court to consider, with Court agreeing on the priority areas of people, structures and process and the conduct of business with agreed actions in these areas to be implemented. The report is published on the University website at: www.docs.sasg.ed.ac.uk/GaSP/Governance/Court/ExternalEffectivenessReport.pdf

University Senate

The Senatus Academicus (Senate) is the University's supreme academic body. Its core function is to regulate and superintend the teaching and discipline of the University and to promote research. During 2018/19 there was an externally facilitated review of Senate, with the key points emerging from this reported to the June 2019 Court meeting with proposed actions, to include a revised committee structure from 2019/20. Further information on the Senate Academicus can be found at: www.ed.ac.uk/academic-services/committees/senate

Corporate governance statement (continued)

University of Edinburgh committee structure

Standing committees

University Court

University Court, the University's governing body, is a body corporate, with perpetual succession and a common seal. The present powers of the Court are defined in the Universities (Scotland) Act (1966) and include the amendment of the composition, powers and functions of bodies in the University and the creation of new bodies, the administration and management of the whole revenue and property of the University, internal arrangements of the University, staff appointments and, on the recommendation of Senate, the regulation of degrees, admission and discipline of students. It is responsible for ensuring that the Senate has in place effective arrangements for academic quality assurance and enhancement.

Audit and Risk Committee

Convener: Alan Johnston, Lay Member of Court

The Audit and Risk Committee's purpose is to review the effectiveness of the University's corporate governance arrangements, financial systems, internal control environment and risk management arrangements and provide appropriate assurances to Court on these areas.

Committee on University Benefactors

Convener: Professor Peter Mathieson, Principal and Vice-Chancellor

The Committee on University Benefactors' purpose is to advise Court on the recipients of the Distinction of University Benefactor. At its meeting on 17 June 2019, Court approved a streamlined process for bestowing the distinction of Benefactor and dissolved the Committee on University Benefactors.

Exception Committee

Convener: Anne Richards, Vice-Convener of Court

The Exception Committee's purpose is, under delegated authority, to make decisions which would otherwise require Court approval between meetings of Court subject to defined principles and on the understanding that any matter so referred can be referred to the full Court should this be the wish of the Exception Committee.

Nominations Committee

Convener: Anne Richards, Vice-Convener of Court

The Nominations Committee's purpose is to make recommendations to Court on the appointment of co-opted members of Court, the Court's nominations of Curators of Patronage and the filling of vacancies as these arise in the Standing Committees of Court.

Policy and Resources Committee

Convener: Anne Richards, Vice-Convener of Court

The Policy and Resources Committee's purpose is to provide strategic oversight of the University's financial, investment, estates and people affairs and to advise Court on any other business of particular importance or complexity.

Remuneration Committee

Convener: Susan Rice, Lay Member of Court

The Remuneration Committee advises Court and oversees the preparation of policies and procedures in respect of salaries, emoluments and conditions of service including severance arrangements for the University's senior management including the Principal and those at professorial or equivalent level and to keep these under review. From January 2019 it membership has included a staff and student Court member. The Remuneration Committee Framework for Decision Making www.ed.ac.uk/files/atoms/files/20181203-remuneration_committee_framework.pdf sets out the framework by which the Remuneration Committee makes decisions on the remuneration of the senior staff of the University. Prior to decision-making on the remuneration package of the Principal and the senior team, all Court members will be consulted on the overall proposed approach, with the key principles underpinning the proposal explained.

Joint Committee of Senate and Court

Knowledge Strategy Committee

Convener: Doreen Davidson, Lay Member of Court

The Knowledge Strategy Committee's purpose is to oversee the University's knowledge management activities in the areas of Library, Information Technology, technology enhanced learning, Management Information and e-Administration on behalf of Court; and to give initial consideration to and advise on any other Court business in respect of the University's knowledge management activities.

The Senate

The Senate is the academic authority of the University and draws its membership from the academic staff and students of the University. Its role is to superintend and regulate the teaching and discipline of the University and to promote research. The Principal presides at meetings of the Senate.

Curriculum and Student Progression Committee

Convener: Professor Alan Murray, Assistant Principal

The Curriculum and Student Progression Committee is responsible, on behalf of the Senatus, for the academic regulatory framework, apart from those aspects which are primarily parts of the Quality Assurance Framework.

Learning and Teaching Committee

Convener: Professor Charlie Jeffery, Senior Vice-Principal

The Learning and Teaching Committee is responsible, on behalf of the Senatus, for undergraduate, taught postgraduate and other forms of academic provision, apart from postgraduate research and higher degrees.

Quality Assurance Committee

Convener: Professor Tina Harrison, Assistant Principal

The Quality Assurance Committee is responsible for the University's academic quality assurance framework.

Researcher Experience Committee

Co-Conveners: Professor Stephen Bowd, Dr Patrick Hadoke and Dr Anthony Maciocia

The Researcher Experience Committee is responsible for postgraduate research degree training, higher degrees and training provision of other, early career researchers. It aims to promote an outstanding student experience and vibrant research community across the University, through a proactive agenda supporting an environment that fosters and enables change.

Corporate governance statement (continued)

Standing Committees

Audit and Risk Committee

Policy and Resources Committee

Thematic committees

Risk Management Committee

Convener: Hugh Edmiston, Director of Corporate Services

The role of the Risk Management Committee is to support and advise Audit and Risk Committee and through it the Court, on the implementation and monitoring of the risk management policy.

Estates Committee

Convener: Professor Jonathan Seckl, Vice-Principal Planning, Resources and Research Policy

The Estates Committee's purpose is to oversee the University's estate in order that it can support world-class academic, teaching and research activity.

Investment Committee

Convener: Richard Davidson, External Member

The role of the Investment Committee is to consider the corporate governance and other related implications of the University's investments.

People Committee

Convener: Professor Jane Norman, Vice-Principal People and Culture

The People Committee provides advice and guidance on the University's strategic human resources policies and objectives and provides assurance that the University is monitoring its performance and managing its HR issues effectively.

Each of these Committees is formally constituted with terms of reference and conducts its business both through regular meetings and by electronic communication when appropriate.

General Council

General Council consists mainly of alumni of the University of Edinburgh, includes eligible academic staff and a more limited number from other related categories. It has a statutory right to comment on matters which affect the well-being and prosperity of the University and to be consulted on Ordinances and Resolutions. The aim is to ensure that graduates of this University have a continuing voice in the management of its affairs. There are three General Council Assessors Court, appointed following an open advertisement and recruitment process overseen by a joint Court-General Council Selection Panel. It is also responsible for election of the Chancellor. Further information on the General Council can be found at: www.general-council.ed.ac.uk.

University Executive

The University Executive is chaired by the Principal and is the main executive decision-making forum for the University. Membership includes the major budget holders in the University, Vice-Principals, senior professional services staff, the EUSA President and representation from Heads of Schools. It brings together the academic, financial, human resources and accommodation aspects of planning and it is responsible for managing the University's performance and for assisting the Principal in delivery of the University's strategy. The University Executive

also provides advice and views on proposals and reports and ensures a consistent approach to activity across the University.

The University's system of internal control

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

The internal control environment includes delegated authorities, policies, procedural and system controls, planning and budgetary processes, professional capability in specialist areas, governance structures and management reporting. A Delegated Authority Schedule lists those Committees or individuals to whom authority has been delegated by the University Court to commit the University to a contractual or quasi-contractual arrangement within approved budget limits

The senior management team receives regular reports on the University's performance, including appropriate performance indicators, and considers any control issues brought to its attention by early warning mechanisms which are embedded within the operational units and reinforced by risk awareness training. The senior management team and

the Audit and Risk Committee also receive regular reports from Internal Audit which include recommendations for improvement.

The University operates processes for the identification, evaluation and management of significant risks. The risk management framework established in the University includes a Risk Management Committee which reports to the Audit and Risk Committee. The Audit and Risk Committee is a Standing Committee reporting directly to Court and has oversight of risk management arrangements based on advice and information from the Risk Management Committee. Following the appointment of a University Risk Manager in March 2018, new risk management policy, process and guidance has been approved by Court to bring a more consistent approach to how the University manages its risk across Colleges and Support groups, and more clearly align the management of risk to the University's Strategic Plan. Further information on the University's Risk Management framework, policies, guidance and practical risk management tools can be viewed at: www.ed.ac.uk/corporate-services/risk-management/risk-management-information

Internal Audit undertake an independent review of the overall risk management process, having regard to best practice as recommended by professional institutes and other relevant organisations.



The Sports Fair at the Pleasance Sports Complex & Gym

The Audit and Risk Committee considered the Internal Audit opinion on risk management at its meeting on 22 November 2019 and expressed itself satisfied with the outcome.

By its 2 December 2019 meeting, Court had received the Audit and Risk Committee Report for the year ended 31 July 2019 and information from the Risk Management Committee; it also had taken account of relevant events since 31 July 2019. During 2018/19, the Audit and Risk Committee was responsible for advising Court on the effectiveness of policies and procedures for risk assessment and risk management arrangements. Court considers, on the recommendation of the Audit and Risk Committee that a risk management process wholly compliant with the guidance provided by the UK Corporate Governance Code, in so far as its provisions apply to the higher education sector, has been in place throughout the year ended 31 July 2019.

In reaching this view, Court's confirmation of the effectiveness of the system of internal control has also been informed by the following:

- The Internal Audit Service's annual report for 2018/19 presented to the Audit and Risk Committee on the adequacy and effectiveness of systems of internal control including governance and risk management, together with

recommendations for improvement, along with the Principal's expression of satisfaction with the performance of the Internal Audit service in his capacity as Accountable Officer;

- The Risk Management Committee's Annual Report 2018/19 presented to the Audit and Risk Committee regarding its operation;
- Comments made by the External Auditors in their Report to the Audit and Risk Committee and other reports; and
- The work of managers within the institution, who have responsibility for the development and maintenance of the internal control framework, and by any relevant comments made by other external agencies (e.g. the Quality Assurance Agency for Higher Education, Scottish Funding Council).

Charitable status

The University had charitable status (No. SC005336) under the legislative framework operative throughout the 2018/19 financial year. The University Court considers that the University meets the 'Charity Test' set out in Section 7 of the Charities and Trustee Investment (Scotland) Act 2005 and it will take such actions as are necessary to ensure continued full compliance with the legislation, and retention of charitable status.

Corporate governance statement (continued)

The University's endowments are administered as the University of Edinburgh Endowment Fund, overseen by the Investment Committee. Professional fund managers are employed by that Committee on behalf of the University Court. Investment income is applied for the specific purposes of the relevant endowments, or in the case of other investment funds, for the University's general purposes. All of those purposes are charitable for the purposes of the legislation.

Income derived from philanthropic donations and benefactions arising from the University's Development activities are disbursed by a Trust with separate charitable status, The University of Edinburgh Development Trust. The Board of Trustees includes individuals external to the University. All disbursements are applied for the specific purposes of the relevant donations and benefactions, or in the case of general donations and benefactions, for the University's general purposes. All of those purposes are charitable for the purposes of the legislation.

Going concern

The University's activities and the factors likely to affect its future development, performance and position are set out in the Financial Review. Its financial performance for the year to 31 July 2019, income and expenditure, assets, liquidity and cash flows are set out in more detail in the Notes to the Financial Statements.

The University has adequate financial resources and its current forecasts and projections show it to be well placed to manage its activities successfully having taken account of risks and uncertainties highlighted in the Annual Report and Accounts.

Court considers that the University has adequate resources to continue in operation for the foreseeable future and for this reason the going concern basis continues to be adopted when preparing the Accounts.

Responsibilities of Court

On 12 May 2014 Court adopted a Statement of Primary Responsibilities published on the University website: www.ed.ac.uk/governance-strategic-planning/governance/university-governance/other-useful-information. This was in operation throughout 2018/19.

Statement of responsibilities relating to the reports and financial statements

The detailed requirements relating to financial matters are governed by law, agreements and regulations as decreed by various bodies and are stated as follows:

Court is responsible for keeping proper accounting records, which disclose, with reasonable accuracy, the financial position

of the University at any time and enable it to ensure that the financial statements are prepared in accordance with the Universities (Scotland) Acts 1858-1966, the Statement of Recommended Practice: Accounting for Further and Higher Education 2015 and other relevant accounting standards. In addition, within the terms and conditions of a Financial Memorandum agreed between the Scottish Funding Council and the Court of the University of Edinburgh, the University Court, through its designated office holder, is required to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the University and of the surplus or deficit and cash flows for that year.

In causing the financial statements to be prepared, 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 have been followed; and
- Financial statements are prepared on the going concern basis.

Court has taken reasonable steps to:

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



Anne Richards

Vice-Convener of Court
2 December 2019

Protecting our Planet

The University and Students' Association introduced a charge for disposable cups in their cafes and announced that they would accept all reusable cups, encouraging sustainable alternatives to traditional takeaway cups.

Known in popular culture as a 'latte levy', charging for disposable cups has proven to be more effective in encouraging customers to use reusable cups than discounting hot drinks purchased in reusables. Income from the charge is used to improve services operated by the University's Accommodation, Catering & Events department and the Students' Association

Campus cafés first implemented a 25p charge for the purchase of disposable cups in August and September 2018, replacing the previous pricing structure where customers were given a 20p discount for using a reusable cup. The charge has led to an average reduction in disposable cup usage of 37 per cent in University-owned cafés.

More free drinking water points installed across the University also give staff and students easier access to free water and to reduce the amount of single-use bottles used on campus. By the end of the project, scheduled to be completed by 2019, over two hundred drinking water points will have been installed or upgraded.



Corporate governance statement (continued)

University Court		Court meetings attended	Committee memberships 2018/19	Committee memberships 2019/20
Rector				
Presides at meetings of Court	Ann Henderson	3/5		
Principal and Vice-Chancellor	Professor Peter Mathieson	5/5	CB PRC EXC NC	PRC EXC NC
Chancellor's Assessor				
Nominated by Chancellor	Sheriff Principal Edward F Bowen	3/5	CB	
General Council Assessors				
Three Assessors elected by General Council for terms of office of four years	Dr Alan Brown	4/5	ARC CB	
	Ritchie Walker	5/5	KSC	
	Doreen Davidson	5/5	PRC EXC NC IC KSC RC	PRC EXC NC IC KSC RC
Senatus Academicus Assessors				
Four Assessors elected by the Senate for terms of office of four years	Professor Sandy Tudhope	4/5	NC RC	NC RC
	Professor Elizabeth Bomberg	2/5	KSC	KSC
	Professor Sarah Cooper	5/5	PRC EXC	PRC EXC
	Dr Claire Phillips	5/5	KSC CB	KSC
City of Edinburgh Council Assessor				
One Assessor nominated by City of Edinburgh Council	The Rt Hon Frank Ross	4/5	CB	
Co-Opted Members				
Eight appointed by Court for a term of office of three years including the Vice-Convener (equivalent to Chair of Institution)	Anne Richards (Vice-Convener of Court)	5/5	PRC EXC NC RC	PRC EXC NC RC
	David Bentley	4/5	PRC EC IC	
	Dr Robert Black	4/5	ARC NC	
	Dr Frank Armstrong	4/5	PRC	PRC IC EC
	Clare Reid	5/5	EC	EC
	Perdita Fraser	4/5	ARC	ARC
	Susan Rice	5/5	PRC EXC NC RC	PRC EXC NC RC
	Alan Johnston	5/5	ARC EXC RC	ARC EXC RC
Non-Teaching Staff Assessor				
Elected by non-teaching staff for a period of four years	Jo Craiglee	5/5		
Student Members				
Annually nominated by the EUSA from among sabbatical officers	Eleri Connick (to June 2019)	4/4	EXC PRC NC RC	
	Kai O'Doherty (to June 2019)	4/4		
	Andrew Wilson (from June 2019)	1/1		EXC PRC NC RC
	Oona Miller (from June 2019)	1/1		

Audit and Risk Committee

ARC

Knowledge Strategy Committee

KSC

Committee on University Benefactors

CB

Nominations Committee

NC

Estates Committee

EC

People Committee

PC

Exception Committee

EXC

Policy and Resources Committee

PRC

Investment Committee

IC

Remuneration Committee

RC

Further information and biographies of Members of the University Court can be found at: www.ed.ac.uk/governance-strategic-planning/governance/university-court/membership-of-court

Corporate governance statement (continued)

Audit and Risk Committee		Meetings attended
Lay Members of Court	Alan Johnston (Convener)	4/4
	Perdita Fraser	4/4
	Dr Robert Black	4/4
	Dr Alan Brown	3/4
External Members		
Appointed through an open advertisement and interview process	Bindesh Savjani	4/4
	Jim Bishop (to November 2018)	2/2
	Grant Macrae (from May 2019)	1/1

Nominations Committee		Meetings attended
Ex-officio Members		
The Principal	Professor Peter Mathieson	3/3
Vice-Convener of Court	Anne Richards (Convener)	3/3
University Secretary	Sarah Smith	3/3
Senate Assessor	Professor Sandy Tudhope	3/3
General Council Assessor	Doreen Davidson	3/3
Lay Members of Court	Dr Robert Black	0/3
	Susan Rice	3/3
Student Member of Court	Eleri Connick	2/3

Policy and Resources Committee		Meetings attended
Ex-officio Members		
The Principal	Professor Peter Mathieson	5/5
Vice-Convener of Court	Anne Richards (Convener)	5/5
University Secretary	Sarah Smith	5/5
Senate Assessor	Professor Sarah Cooper	4/5
Vice Principal Planning & Resources	Professor Jonathan Seckl	3/5
General Council Assessor	Doreen Davidson	3/5
Lay Members of Court	David Bentley	3/5
	Susan Rice	5/5
	Dr Frank Armstrong	4/5
Student Member of Court	Eleri Connick	5/5

Knowledge Strategy Committee		Meetings attended
Ex-officio Member		
Chief Information Officer	Gavin McLachlan	4/4
EUSA Representative	Diva Mukherji / Megan Brown	3/4
Members of Court	Doreen Davidson (Convener)	4/4
	Ritchie Walker	2/4
	Elizabeth Bomberg	2/4
	Dr Claire Phillips	3/4
Members of Senate	Professor Charlie Jeffery	3/4
	Professor Tina Harrison	2/4
	Professor Alan Murray	2/4
	Professor Sian Bayne/ Ms Melissa Highton	3/4

Remuneration Committee		Meetings attended
Ex-officio Member		
Vice-Convener of Court	Anne Richards	3/3
Lay Members of Court	Susan Rice (Convener)	3/3
	Alan Johnston	3/3
	Doreen Davidson	3/3
EUSA Representative	Eleri Connick (from January 2019)	1/1
Senate Assessor	Professor Sandy Tudhope (from January 2019)	0/1

Exception Committee		Meets by email circulation
Ex-officio Members		
The Principal	Professor Peter Mathieson	
Vice-Convener of Court	Anne Richards (Convener)	
University Secretary	Sarah Smith	
Convener of Audit & Risk Committee	Alan Johnston	
Convener of Knowledge Strategy Committee	Doreen Davidson	
Convener of Remuneration Committee	Susan Rice	
Staff Assessor	Professor Sarah Cooper	
Student Member of Court	Eleri Connick	

Full details of terms of reference and Committee membership are published on the University's website at: www.ed.ac.uk/schools-departments/governance-strategic-planning/governance/university-committees

Independent auditors' report to the Court of the University of Edinburgh

Report on the audit of the financial statements

Opinion

In our opinion, the University of Edinburgh's group financial statements and parent institution financial statements (the "financial statements"):

- give a true and fair view of the state of the group's and of the parent institution's affairs as at 31 July 2019 and of the group's and parent institution's income and expenditure and recognised gains and losses, and of the group's cash flows for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law);
- have been properly prepared in accordance with the requirements of the Statement of Recommended Practice – Accounting for Further and Higher Education; and
- have been prepared in accordance with the requirements of the Charities and Trustee Investment (Scotland) Act 2005 and regulations 6 and 14 of the Charities Accounts (Scotland) Regulations 2006 (as amended).

We have audited the financial statements, included within the Annual Report and Accounts for the year to 31 July 2019 (the "Annual Report"), which comprise the Consolidated and University balance sheet as at 31 July 2019; the Consolidated and University statement of comprehensive income and expenditure for the year then ended; the Consolidated and University statement of changes in reserves for the year then ended; the Consolidated statement of cash flows for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further

described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

ISAs (UK) require us to report to you when:

- the Courts' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Court has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the group's and parent institution's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

We have nothing to report in respect of the above matters.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the group's and parent institution's ability to continue as a going concern. For example, the terms on which the United Kingdom may withdraw from the European Union are not clear, and it is difficult to evaluate all of the potential implications on the group's and parent institution's activities, students, suppliers and the wider economy.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The Court is responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

Trustees' Report

Under the Charities Accounts (Scotland) Regulations 2006 (as amended) we are required to report to you if, in our opinion, the information given in the Trustees' Annual Report is inconsistent in any material respect with the financial statements. We have no exceptions to report arising from this responsibility.

Responsibilities for the financial statements and the audit

Responsibilities of the Court for the financial statements

As explained more fully in the Responsibilities of the Court set out on page 46, the Court is responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The Court is also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Court is responsible for assessing the group's and parent institution's ability to continue as a going concern, disclosing as applicable,

Independent auditors' report to the Court of the University of Edinburgh (continued)

Other required reporting

matters related to going concern and using the going concern basis of accounting unless the Court either intends to liquidate the group and parent institution or to cease operations, or has no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

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

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

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

Use of this report

This report, including the opinions, has been prepared for and only for the charity's trustees as a body in accordance with section 44(1)(c) of the Charities and Trustee Investment (Scotland) Act 2005 and regulations made under that Act (regulation 10 of the Charities Accounts (Scotland) Regulations 2006 (as amended) and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Opinions on other matters prescribed in the requirements attached to the Scottish Funding Council's Financial Memorandum

In our opinion, in all material respects:

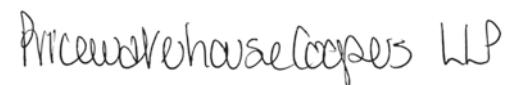
- the requirements of the Scottish Funding Council's accounts direction have been met;
- funds from whatever source administered by the parent institution for specific purposes have been properly applied to those purposes and, if relevant, managed in accordance with relevant legislation and any other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

Charities Accounts (Scotland) Regulations 2006 (as amended) exception reporting

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

- sufficient accounting records have not been kept by the parent institution; or
- the parent institution 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.

We have no exceptions to report arising from this responsibility.



PricewaterhouseCoopers LLP

Chartered Accountants and Statutory Auditors
Glasgow
2 December 2019

Consolidated and University statement of comprehensive income and expenditure

For the year ended 31 July 2019

	Note	2019		2018	
		Consolidated £m	University £m	Consolidated £m	University £m
Income					
Tuition fees and education contracts	3	346.8	346.8	312.0	312.0
Funding body grants	4	195.8	195.8	186.7	186.7
Research income	5	285.7	285.7	279.7	279.7
Other income	6	234.1	203.9	168.4	142.1
Investment income	7	17.4	17.4	14.5	14.6
Donations and endowments	8	21.8	31.0	23.1	13.9
Total income		1,101.6	1,080.6	984.4	949.0
Expenditure					
Staff costs excl USS increase in provision	9	561.0	543.9	522.1	506.0
Exceptional item: USS increase/(decrease) in provision (1)	9	195.2	195.2	(0.7)	(0.7)
Other operating expenses	10	383.1	376.9	358.7	350.1
Depreciation	13	63.8	62.9	60.2	59.1
Interest and other finance costs excl loan break costs	11	19.2	19.2	16.8	16.8
Exceptional item: Loan break costs (2)	11	13.8	13.8	-	-
Total expenditure		1,236.1	1,211.9	957.1	931.3
(Deficit)/surplus before other gains and losses		(134.5)	(131.3)	27.3	17.7
Gain on disposal of fixed assets		4.6	4.6	0.2	0.2
Gain on investments	15	36.8	36.4	42.4	41.2
(Deficit)/surplus before tax		(93.1)	(90.3)	69.9	59.1
Taxation	12	0.1	-	-	-
(Deficit)/surplus for the year		(93.0)	(90.3)	69.9	59.1
Unrealised surplus on revaluation of heritage assets	13	0.8	0.8	-	-
Actuarial (loss)/gain in respect of pension schemes (3)	20	(70.0)	(70.0)	101.0	101.0
Total comprehensive (expenditure)/income for the year		(162.2)	(159.5)	170.9	160.1
Represented by:					
Unrestricted comprehensive (expenditure)/income for the year		(187.4)	(193.2)	130.2	128.3
Endowment comprehensive income for the year	21	35.8	35.8	32.0	32.0
Restricted comprehensive (expenditure)/income for the year	22	(11.4)	(2.9)	8.7	(0.2)
Revaluation reserve comprehensive income for the year	23	0.8	0.8	-	-
		(162.2)	(159.5)	170.9	160.1

Notes to table

- The increase in the USS provision is a non-cash movement in relation to a new deficit recovery plan that was put in place as part of the 2017 valuation. The 2019 USS pension liability provision reflects this plan. Since the year end, following completion of the 2018 actuarial valuation, a new deficit recovery plan has been agreed. If that had been agreed prior to year end the charge to staff costs would have been £59.2 million instead of £195.2 million. It is not a measure of the University's operational financial performance or surplus generation.
- The University secured £250 million of new debt at a very competitive interest rate in October 2018. The University used some of these new funds to repay some of our older expensive debt. This resulted in exceptional loan break costs of £14 million.
- The actuarial loss is a non-cash movement that is derived from year on year revisions to the estimated value of the pension scheme assets and liabilities of the University's defined benefit pension schemes. It is not a measure of the University's operational financial performance or surplus generation.

Consolidated and University statement of changes in reserves

For the year ended 31 July 2019

Consolidated

	Income and expenditure account			Revaluation reserve £m	Total £m
	Endowment £m	Restricted £m	Unrestricted £m		
As at 1 August 2018	424.1	56.9	1,528.0	207.8	2,216.8
Surplus/(deficit) from the income and expenditure statement	35.8	25.0	(153.8)	-	(93.0)
Other comprehensive expenditure	-	-	(70.0)	0.8	(69.2)
Release of restricted capital funds spent in year	-	(36.4)	36.4	-	-
Total comprehensive income/(expenditure) for the year	35.8	(11.4)	(187.4)	0.8	(162.2)
As at 31 July 2019	459.9	45.5	1,340.6	208.6	2,054.6

	Income and expenditure account			Revaluation reserve £m	Total £m
	Endowment £m	Restricted £m	Unrestricted £m		
As at 1 August 2017	392.1	48.2	1,397.8	207.8	2,045.9
Surplus from the income and expenditure statement	32.0	34.9	3.0	-	69.9
Other comprehensive income	-	-	101.0	-	101.0
Release of restricted capital funds spent in year	-	(26.2)	26.2	-	-
Total comprehensive income for the year	32.0	8.7	130.2	-	170.9
As at 31 July 2018	424.1	56.9	1,528.0	207.8	2,216.8

University

	Income and expenditure account			Revaluation reserve £m	Total £m
	Endowment £m	Restricted £m	Unrestricted £m		
As at 1 August 2018	424.1	22.8	1,515.1	207.8	2,169.8
Surplus/(deficit) from the income and expenditure statement	35.8	33.5	(159.6)	-	(90.3)
Other comprehensive expenditure	-	-	(70.0)	0.8	(69.2)
Release of restricted capital funds spent in year	-	(36.4)	36.4	-	-
Total comprehensive income/(expenditure) for the year	35.8	(2.9)	(193.2)	0.8	(159.5)
As at 31 July 2019	459.9	19.9	1,321.9	208.6	2,010.3

	Income and expenditure account			Revaluation reserve £m	Total £m
	Endowment £m	Restricted £m	Unrestricted £m		
As at 1 August 2017	392.1	23.0	1,386.8	207.8	2,009.7
Surplus from the income and expenditure statement	32.0	25.7	1.4	-	59.1
Other comprehensive income	-	-	101.0	-	101.0
Release of restricted capital funds spent in year	-	(25.9)	25.9	-	-
Total comprehensive income for the year	32.0	(0.2)	128.3	-	160.1
As at 31 July 2018	424.1	22.8	1,515.1	207.8	2,169.8

Consolidated and University balance sheet

As at 31 July 2019

		2019		2018	
	Note	Consolidated £m	University £m	Consolidated £m	University £m
Non-current assets					
Fixed assets	13	1,818.5	1,810.9	1,741.1	1,732.8
Heritage assets	13 & 14	213.9	213.9	212.8	212.8
Investments	15	817.7	820.2	570.8	573.7
		2,850.1	2,845.0	2,524.7	2,519.3
Current assets					
Stock		3.2	2.4	3.5	2.7
Trade and other receivables	16	138.7	129.2	132.7	119.1
Investments	17	207.4	207.4	180.0	180.0
Cash and cash equivalents	24	238.5	223.0	236.1	225.2
		587.8	562.0	552.3	527.0
Creditors: amounts falling due within one year	18	(345.3)	(358.7)	(310.5)	(326.8)
Net current assets		242.5	203.3	241.8	200.2
Total assets less current liabilities					
		3,092.6	3,048.3	2,766.5	2,719.5
Creditors: amounts falling due after more than one year	19	(605.0)	(605.0)	(386.4)	(386.4)
Pension and other provisions	20	(433.0)	(433.0)	(163.3)	(163.3)
Total net assets		2,054.6	2,010.3	2,216.8	2,169.8
Restricted reserves					
Income and expenditure reserve - endowment reserves	21	459.9	459.9	424.1	424.1
Income and expenditure reserve - restricted reserves	22	45.5	19.9	56.9	22.8
Unrestricted reserves					
Income and expenditure reserve - unrestricted reserves		1,340.6	1,321.9	1,528.0	1,515.1
Revaluation reserve	23	208.6	208.6	207.8	207.8
Total reserves		2,054.6	2,010.3	2,216.8	2,169.8

The financial statements on pages 52 to 89 were adopted by Court on 2 December 2019 and were signed on its behalf by:



Professor Peter Mathieson
Principal and Vice-Chancellor



Anne Richards
Vice-Convener of Court



Lee Hamill
Director of Finance

Consolidated statement of cash flows

For the year ended 31 July 2019

	Note	2019 £m	2019 £m	2018 £m
Cash flow from operating activities				
(Deficit)/surplus for the year			(93.0)	69.9
Adjustments for non-cash items				
Depreciation	13	63.8		60.2
Gain on investments	15	(36.8)		(42.4)
Donated assets	14	(0.2)		-
Increase/(decrease) in pension and other provisions	20	196.9		(1.4)
			223.7	16.4
Adjustments for working capital items				
Decrease in stock		0.3		0.1
Increase in debtors	16	(6.0)		(10.7)
Increase in creditors and accruals	18 & 19	24.5		22.5
			18.8	11.9
Adjustments for investing or financing activities				
Investment income	7	(17.4)		(14.5)
Interest payable*	11	33.0		16.8
New endowments received	21	(8.1)		(1.4)
Gain on the sale of fixed assets		(4.6)		(0.2)
Capital grant income		(89.5)		(43.8)
			(86.6)	(43.1)
Net cash inflow from operating activities			62.9	55.1
Cash flows from fixed asset investing activities				
Proceeds from sales of fixed assets		5.8		1.7
Capital grant receipts		89.5		43.8
Payments made to acquire fixed assets		(137.0)		(199.2)
			(41.7)	(153.7)
Cash flows from other investing activities				
Investment income	7	17.4		14.5
Disposal of non-current asset investments	15	7.7		5.1
Payments made to acquire non-current asset investments	15	(217.8)		(2.9)
(Increase)/decrease in cash on deposit	17	(27.4)		15.0
Lump sum pension contribution to EUSBS	20	(1.1)		(1.0)
New endowment cash received	21	8.1		1.4
			(213.1)	32.1
Net cash outflow from investing activities			(254.8)	(121.6)
Cash flows from financing activities				
Interest paid*	11	(27.5)		(10.8)
Interest element of finance lease payments	11	(0.1)		(0.1)
New unsecured loans	19	260.8		66.7
Repayments of amounts borrowed	19	(39.1)		(3.2)
Capital element of finance lease payments		0.2		(0.2)
Net cash inflow from financing activities			194.3	52.4
Increase/(decrease) in cash and cash equivalents in the year			2.4	(14.1)
Cash and cash equivalents at beginning of the year	24		236.1	250.2
Cash and cash equivalents at end of the year	24		238.5	236.1

* Includes exceptional loan break costs of £13.8 million

Notes to the financial statements

1. 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 2015 ('the SORP') and in accordance with applicable accounting standards. The University is a public benefit entity and therefore has applied the relevant public benefit requirement of the applicable accounting standards. The financial statements are prepared in accordance with the historical cost convention (modified by the revaluation of heritage assets and investments).

The financial statements have been prepared on a going concern basis. Court considers this is appropriate as the University has considerable financial resources together with a significant value of contracted income over the medium term. Therefore, Court believes it is well placed to manage its business risks.

Judgements made by management in the application of these accounting policies that have a significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in note 2.

Basis of consolidation

The consolidated financial statements include the University and all its subsidiaries for the financial year to 31 July 2019. The results of subsidiaries acquired or disposed of during the period are included in the consolidated statement of income and expenditure from the date of acquisition, or up to the date of disposal. Intragroup transactions are eliminated on consolidation. The University has taken advantage of the exemption within FRS 102 Section 33.1A and has not disclosed transactions with other group entities where it holds 100 per cent of the voting rights. The University has taken the exemption permitted under FRS 102 to not produce a cash flow statement for the University.

The consolidated statements do not include the income and expenditure of the Edinburgh University Students' Association as it is a separate charity over which the University does not exert control or dominant influence over policy decisions.

Associated companies and jointly controlled entities are accounted for using the equity method.

Income recognition

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

Tuition fee income is stated gross of any expenditure which is not a discount and credited to the consolidated statement of comprehensive income and expenditure over the course of an associated academic year following a student's programme registration.

Bursaries and scholarships are accounted for gross as expenditure and not deducted from income.

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

Government grants, including funding council block grant and research grants from government sources, and other grants and donations, from non-government sources including research grants from non-government sources, are recognised within the consolidated statement of comprehensive income and expenditure when the University is entitled to the income and performance-related conditions have been met. Income received in advance of performance-related conditions is deferred on the balance sheet and released to the consolidated statement of comprehensive income and expenditure in line with such conditions being met.

Other grants and donations from non-government sources, including research grants from non-government sources, are recognised within the consolidated statement of comprehensive income and expenditure when the University is entitled to the income and performance-related conditions have been met. Income received in advance of performance-related conditions being met is deferred on the balance sheet and released to the consolidated statement of comprehensive income and expenditure when such conditions are met.

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

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

statement of comprehensive income and expenditure when received.

Donations with no restrictions are recorded within the consolidated statement of comprehensive income and expenditure when the University is entitled to the income.

Donations and endowments with restrictions are classified as restricted reserves with additional disclosure provided within the notes to the financial statements.

There are four main types of donations and endowments with restrictions:

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

Where capital funding is received or receivable the income recognition is dependent on whether the University entitlement to the funds is subject to any performance-related conditions being met. Funding is recognised within the consolidated statement of comprehensive income and expenditure when any performance-related conditions have been met. Funding received in advance of performance-related conditions is deferred on the balance sheet and released to the consolidated statement of comprehensive income and expenditure in line with such conditions being met. In the absence of performance-related conditions, capital funding is recognised as income in line with other donations with donor-imposed restrictions and recognised within the consolidated statement of comprehensive income and expenditure when the University is entitled to the funding. The income is retained within the restricted reserve until such time that it is utilised in line with such restrictions, at which point it is released to general reserves through a reserve transfer.

Accounting for retirement benefits

The University participates in three active pension schemes, the Universities Superannuation Scheme (USS), the University of Edinburgh Staff Benefits

Notes to the financial statements (continued)

Scheme (EUSBS) and the National Employee Savings Trust (NEST). We also participate in other legacy schemes on behalf of retired and active members, the Medical Research Council (MRCPS), the Lothian Pension Fund (LPF), the Strathclyde Pension Fund (SPF) and the Scottish Teacher Superannuation Scheme (STSS).

USS, STSS, MRCPS and NEST are multi-employer schemes and, given the mutual nature of the schemes, it is not possible to identify the University's share of the assets and liabilities for these schemes. Consequently, the University cannot apply defined benefit accounting and, according to section 28 FRS 102, the schemes are accounted for as defined contribution schemes. The EUSBS, SPF and LPF schemes are defined benefit schemes. Each fund is valued every three years by professionally qualified independent actuaries.

With effect from 1 October 2016, USS changed from a defined benefit only pension scheme to a hybrid pension scheme, providing defined benefits for all members, as well as defined contribution benefits. The assets of the scheme are held in a separate trustee-administered fund. Because of the mutual nature of the scheme, the assets are not attributed to individual institutions and a scheme-wide contribution rate is set. The institution is therefore exposed to actuarial risks associated with other institutions' employees and is unable to identify its share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis. As required by section 28 of FRS 102, "Employee benefits", the University therefore accounts for the scheme as if it were a wholly defined contribution scheme. As a result, the amount charged to the consolidated statement of comprehensive income and expenditure represents the contributions payable to the scheme. Since the institution has entered into an agreement (the Recovery Plan) that determines how each employer within the scheme will fund the overall deficit, the University recognises a liability for the contributions payable that arise from the agreement (to the extent that they relate to the deficit) and therefore an expense is recognised.

A small number of subsidiary company employees are members of other defined contribution schemes. Contributions are charged in the consolidated statement of comprehensive income and expenditure in the year in which they become payable.

Defined contribution plan

A defined contribution plan is a post-employment benefit plan under which the organisation pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts.

Obligations for contributions to defined contribution pension plans are recognised as an expense in the consolidated statement of comprehensive income and expenditure in the periods during which services are rendered by employees and as they become payable in accordance with the rules of the scheme.

Defined benefit plan

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The Group's net obligation in respect of defined benefit pension plans and other post-employment benefits are calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value, and the fair value of any plan assets (at bid price) and any unrecognised past service costs are deducted. The liability discount rate is the yield at the balance sheet date on AA credit rated bonds denominated in the currency of, and having maturity dates approximating to the terms of the Group's obligations. The calculation is performed by a qualified actuary using the projected unit credit method. When the calculation results in a benefit to the Group, the recognised asset is limited to the total of any unrecognised past service costs and the present value of benefits available in the form of any future refunds from the plan, reductions in future contributions to the plan or on settlement of the plan and takes into account the adverse effect of any minimum funding requirements.

Employment benefits

Short-term employment benefits such as salaries and compensated absences are recognised as an expense in the year in which the employees render service to the University. Any unused benefits, such as holiday entitlements earned but not taken at the balance sheet date, are accrued and measured as the additional amount the University expects to pay as a result of the unused entitlements.

Finance leases

Leases in which the University assumes substantially all the risks and rewards of ownership of the leased asset are classified as finance leases. Leased assets acquired by way of finance lease are stated at an amount equal to the lower of their fair value and the present value of the minimum lease payments at inception of the lease, less accumulated depreciation and less accumulated impairment losses. Lease payments are accounted for as described below.

Minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance charge is allocated to each period

during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Operating leases

Costs in respect of operating leases are charged on a straight-line basis over the lease term. Any lease premiums or incentives are spread over the lease term.

Research and development

Research and development costs incurred by the University on its own behalf are written off in the year incurred with the exception of any equipment or software that is capitalised in line with the University's accounting policy.

Foreign currency

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated to the functional currency at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in the consolidated statement of comprehensive income and expenditure. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated to the functional currency at foreign exchange rates ruling at the dates the fair value was determined.

Land and buildings

Land and buildings are stated at deemed cost less accumulated depreciation and accumulated impairment losses. Land and buildings owned by the University were independently valued by Gerald Eve LLP, an independent firm of chartered surveyors on 1 August 2014. The land and building assets that had been revalued to fair value prior to the date of transition to SORP, are measured on the basis of deemed cost, being the revalued amount at the date of that revaluation.

Property additions since 1 August 2014 including extensions to buildings and building under construction are shown at cost less any accumulated depreciation. The cost of renovating, upgrading or converting buildings is capitalised where the subsequent expenditure prolongs the useful life or enhances the economic benefits of the building and is also shown at cost less accumulated depreciation.

Notes to the financial statements (continued)

Freehold land is not depreciated as it is considered to have an indefinite useful life. Freehold buildings are depreciated on a straight line basis over their expected useful lives as follows:

Major plant and infrastructure	10 to 15 years
System built properties	15 to 25 years
General buildings	50 to 80 years
Historic and legacy properties	100 years

Leasehold land and buildings are depreciated over the life of the lease up to a maximum of 50 years.

No depreciation is charged on assets in the course of construction.

Major repairs and refurbishments are capitalised and depreciated over 10 to 20 years where they substantially add to the total area of the building, prolong its useful life or enhance the economic benefits of the building.

All land and buildings, including those constructed or acquired with the aid of specific grants, are included in the balance sheet with the exception of the New College Divinity complex on the Mound, which is regarded as inalienable, and two farms, which form part of agricultural tenancies. In addition, the University occupies various premises owned by the NHS and the main locations are subject to formal rentals and service charges which are reflected in the consolidated statement of comprehensive income and expenditure. Some NHS premises are, however, occupied under arrangements such as historic 'knock for knock' agreements. It is not possible to attribute value to these arrangements and hence these assets are not included in the financial statements.

Equipment

Equipment, including computers and software, costing less than £50,000 per individual item or group of related items, is written off in the year of acquisition. All other equipment, the purchase or external development costs of major new application software and the initial complement of furniture acquired as part of the initial fit out of a newly constructed building or major refurbishment, is capitalised.

Capitalised equipment is stated at cost and depreciated over a four year period from the year in which the equipment, software or building is commissioned.

Donated equipment is capitalised at depreciated replacement cost at the date of receipt and is depreciated over a four year period.

It has been recognised that building plant acquired by the University's subsidiary, UoE Estates Service Company Limited, has a long operating life and is depreciated over

10 to 15 years. Certain other subsidiaries provide different rates of depreciation to that of the parent. These have an immaterial effect on the results of the Group.

Heritage assets

The University holds, preserves and makes available a number of collections, exhibits, artefacts and other assets of historical, artistic or scientific importance. Heritage assets acquired before 1 August 1999 without reliable estimates of cost or value on a cost-benefit basis have not been capitalised. Acquisitions since 1 August 1999 have been capitalised at cost, or, in the case of donated assets, at expert valuation on receipt. Heritage assets are not depreciated since their long economic life and high residual value mean that any depreciation would not be material.

The University receives a large number of donated assets in addition to heritage assets bought by the University's Centre for Research Collections. Donated assets are not valued unless they are of special interest as the cost of doing so is not commensurate with the benefits to readers of the Annual Report and Accounts. Donated assets that are capitalised are reported in the consolidated statement of comprehensive income and expenditure at valuation.

Investments

Assets held in the University of Edinburgh Investment and Endowment Fund, which holds endowment and general fund investments, continue to be administered by external fund managers.

Non-current investments are held on the balance sheet at cost and then subsequently at fair value. Investments in subsidiary companies are shown at cost less any impairment.

Investment in associates, if material, are shown in the consolidated balance sheet at the share of net assets.

Current asset investments include temporary and money market deposits and are included at cost and then subsequently at fair value.

Stock

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

Cash and cash equivalents

Cash includes cash in hand, deposits repayable on demand and overdrafts. Deposits are repayable on demand if they are in practice available within 24 hours without penalty.

Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash with insignificant risk of change in value.

Creditor Payment Policy

The University makes its payments to creditors, provided they are not in dispute, in accordance with terms of the contract. The University's standard terms and conditions can be found at www.ed.ac.uk/procurement/supplying/terms-and-conditions-of-purchase. The University of Edinburgh was one of the first organisations to sign up to the Scottish Business Pledge for prompt payment which advocates paying invoices promptly as it has sound business benefits as well as being ethical and fair. www.scottishbusinesspledge.scot/prompt-payment/.

Investment properties

Investment properties are initially included in the balance sheet at the balance sheet date at their fair value on the basis of an annual independent valuation. Mixed-use investment properties are separated between investment properties and property, plant and equipment. Changes in the fair value of investment properties are recognised immediately within the consolidated statement of comprehensive income and expenditure.

Borrowing costs

Borrowing costs are recognised as expenditure in the period in which they are incurred.

Financial instruments

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the instrument. Financial liabilities are classified according to the substance of the contractual arrangements entered into. The University's financial assets and liabilities all meet the criteria for basic financial instruments prescribed within FRS 102 Section 11.8. FRS 102 para. 11.13 requires financial instruments, i.e. the unsecured bank loans, to be recognised at the present value of the future payments discounted at a market rate of interest.

Public benefit concessionary loans

Where loans are received at below the prevailing market rate of interest, not repayable on demand and made for the purpose of furthering the objectives of the University, they are classified as concessionary loans.

Concessionary loans are initially measured at the amount received and recognised in the statement of financial position and adjusted at the period end to reflect any accrued interest payable. Where a loan is interest free, no interest is charged in subsequent years.

Taxation status

The University is an exempt charity within the meaning of the Trustee Investment and Charities (Scotland) Act 2005 and, as such, is a charity within the meaning of Section 506 (1) of the Income and Corporation Taxes Act 1988. The University is recognised as a charity by HM Revenue & Customs and is recorded on the index of charities maintained

Notes to the financial statements (continued)

by the Office of Scottish Charity Regulator. It is therefore a charity within the meaning of Para 1 of schedule 6 to the Finance Act 2010 and accordingly, the University is potentially exempt from UK Corporation Tax in respect of income or capital gains received within categories covered by section 478-488 of the Corporation Tax Act 2010 (CTA 2010) or section 256 of the Taxation of Chargeable Gains Act 1992, to the extent that such income or gains are applied to exclusively charitable purposes. The University receives no similar exemption in respect of Value Added Tax.

The University's subsidiary companies, except those with charitable status, are not exempt from taxation. The charge for taxation is based on the profit or loss for the year after charging the cost of any Gift Aid payment payable to the University. The charge for taxation also takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes. Charitable subsidiaries are exempt from taxation under the same legislation as the University.

Provisions, contingent liabilities and contingent assets

Provisions are recognised in the financial statements when:

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

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

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

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

Contingent assets and liabilities are not recognised in the balance sheet but are disclosed in the notes.

Exceptional items

Material items derive from events or transactions that fall within the ordinary activities of the University and which individually or, if of a similar type, in aggregate, need to be disclosed by virtue of their size or incidence.

2. Estimates And Judgements

(i) Critical accounting judgements

FRS 102 requires that accounting judgements that are considered to be critical by those charged with governance are explained in more detail as to why the judgement has been applied.

Classification of financial liabilities

All of the University's financial liabilities have been classified as basic financial instruments. In respect of the private placement debt, judgement has been applied in determining the classification. As part of the agreement, the issuers of the debt, who are based in the US, have entered into cross currency swaps to ensure that they are not adversely impacted by foreign exchange rate movements between \$ and £, should the University repay the debt early. We consider any resultant financial impact for the University to represent reasonable compensation for early repayment and as such have classified the debt as basic. As a result, the financial liability is reflected in the financial statements at amortised cost.

Multi-employer pension schemes

FRS 102 makes the distinction between a group plan and a multi-employer scheme. A group plan consists of a collection of entities under common control typically with a sponsoring employer. A multi-employer scheme is a scheme for entities not under common control and represents (typically) an industry-wide scheme such as USS. The accounting for a multi-employer scheme where the employer has entered into an agreement with the scheme that determines how the employer will fund a deficit results in the recognition of a liability for the contributions payable that arise from the agreement (to the extent that they relate to the deficit) and the resulting expense in the consolidated statement of comprehensive income and expenditure in accordance with FRS 102 section 28.

The University has judged that the schemes provided by Universities Superannuation Scheme (USS), Medical Research Council (MRCPS) and the Scottish Teacher Superannuation Scheme (STSS) meet the definition of a multi-employer scheme. The University has recognised the discounted fair value of the contractual contributions under the funding plan in existence at the date of approving the financial statements.

(ii) Key account estimates and assumptions

The University makes estimates and assumptions concerning the future. The

resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

Pension provisions – key actuarial assumptions

The key actuarial assumptions used in the valuation of the USS, EUSBS, SPF and LPF pension schemes including discount rates, salary and pension increases, and mortality rates are reported in note 31 Pension schemes.

The cost of the USS deficit recovery plan has been estimated based on a model devised by USS and the British Universities Finance Directors Group (BUFDG) based on the USS March 2017 deficit valuation. The 2017 valuation was the fourth valuation for USS under the scheme-specific funding regime introduced by the Pensions Act 2004, which requires schemes to adopt a statutory funding objective, which is to have sufficient and appropriate assets to cover their technical provisions.

Holiday earned but not taken and other employee benefits provision

The employee leave accrual is calculated from a sample of departments' holidays earned, but not taken, at the balance sheet date of 31 July 2019. This sample is attributed across the whole population of employees.

Heritage assets

Heritage assets are valued based on assumptions made by external valuers and the University's Centre for Research Collections. Asset valuations are determined by the valuer's opinion on the physical condition of items and their assessment of market conditions.

Property, plant and equipment

Group depreciation charge is calculated based on assumptions on asset useful economic lives and expected residual value. The remaining depreciable lives of assets are periodically reviewed based on actual experience and expected future utilisation. A change in depreciable life is treated as a change in accounting estimate and the accelerated depreciation is accounted for in the period of change and future periods.

Impairment

Judgement is applied when assessing the potential impairment of property, plant & equipment assets. We consider the potential for demolition or disposal, the impact major refurbishments would have on the overall carrying value of existing assets and the likelihood of capital projects proceeding beyond feasibility stage.

Notes to the financial statements (continued)

3. Tuition Fees And Education Contracts

	Consolidated and University	
	2019 £m	2018 £m
Scotland & EU fees	59.5	58.4
Rest of UK (RUK)	65.0	61.3
Non-EU fees	198.5	168.1
Research training support grants	17.5	17.8
Short course and other fees and support grants (non-credit bearing)	6.3	6.4
	346.8	312.0

Tuition fees and education contracts

Undergraduate (UG) numbers increased by 3.1 per cent. UG fee income rose £13.5 million, driving up the average fee for UG students by 4.5 per cent. Postgraduate Taught (PGT) numbers increased by 11.1 per cent. PGT fee income rose by 21.2 per cent, £18.7 million, driving up the average PGT fee by 9.1 per cent.

4. Funding Body Grants

	Consolidated and University	
	2019 £m	2018 £m
SFC recurrent grants		
Teaching	64.5	65.6
Research and knowledge exchange	90.2	85.4
SFC specific grants		
Strategic funding: including UK Research Partnership Investment Fund (UKRPIF)	19.1	6.2
Capital maintenance grants	16.8	16.7
Other grants	5.2	12.8
	195.8	186.7

Funding body grants

A reduction to the Teaching Grant of £1.1 million was entirely offset with a £4.8 million increase year on year within the Research Excellence Grant. Strategic funding and other grants increased overall by £5.3 million, along with a small increase of £0.1 million in capital maintenance grants (which are recognised in line with restricted conditions).

5. Research Income

5. Research Income	Consolidated and University			
	2019			2018 Total £m
	Capital £m	Revenue £m	Total £m	
Research grants and contracts				
Research councils	7.5	106.4	113.9	116.3
UK based charities	0.9	64.6	65.5	59.4
UK central government bodies, local and health authorities	3.4	26.8	30.2	30.3
UK industry, commerce and public corporations	-	8.8	8.8	9.6
EU government bodies	-	36.4	36.4	36.2
EU other	-	3.9	3.9	4.4
Other overseas	-	20.8	20.8	16.1
Other sources	0.2	6.0	6.2	7.4
Total research grants and contracts	12.0	273.7	285.7	279.7

Research income

The figures for research income include the University's share of the research activity of the Scottish Universities Environmental Research Centre (SUERC) of £2.3 million. SUERC is a jointly controlled entity with the University of Glasgow.

Notes to the financial statements (continued)

6. Other Income

	2019		2018	
	Consolidated £m	University £m	Consolidated £m	University £m
Residences and catering	79.2	60.2	71.6	53.9
Other revenue grants	69.2	69.2	14.1	14.1
Other services	37.2	28.7	33.6	28.1
Health authorities	14.1	14.1	14.8	14.8
Other income	34.4	31.7	34.3	31.2
	234.1	203.9	168.4	142.1

Residences and catering income

Residences and catering income is mainly from student accommodation rental.

Other revenue grants

Other grants are those that are not from the Scottish Funding Council (SFC). £51.5 million relates to City Region Deal.

Other services

Other services income includes consultancy, veterinary and computer services.

Health authorities

Health authority income covers salaries for health and hospital funded posts.

Other income

Other income includes trading, gas and electricity recharges, conferences and rental income from the Edinburgh Festival.

7. Investment Income

	Note	2019		2018	
		Consolidated £m	University £m	Consolidated £m	University £m
Income from expendable endowments	21	6.2	6.2	5.9	5.8
Income from permanent endowments	21	3.0	3.0	2.9	2.9
Other investment income		3.2	3.2	3.0	3.1
Other interest receivable		5.0	5.0	2.7	2.8
		17.4	17.4	14.5	14.6

Investment income

Income from the Endowment and Investment Fund (EIF) was £12.4 million; £9.2 million related to endowments and £3.2 million to treasury funds; a return of 2.1 per cent. However, including the 6.1 per cent increase in market value, the overall return on the EIF was 8.2 per cent. Bank and other interest received was £5.0 million.

8. Donations and Endowments

	Note	2019		2018	
		Consolidated £m	University £m	Consolidated £m	University £m
New endowments	21	8.1	8.1	1.4	1.4
Donations with restrictions		11.5	20.7	19.6	10.4
Unrestricted donations		2.2	2.2	2.1	2.1
		21.8	31.0	23.1	13.9

Donations and endowments

Most donations are restricted and are mainly for scholarships.

New endowments of £8.1 million include:

£5 million from Baillie Gifford to fund a Chair and associated programme of postgraduate and postdoctoral research for Data and AI Ethics.

£2.3 million from the Glenmore Trust for postgraduate scholarships.

Notes to the financial statements (continued)

9. Staff Costs

	2019		2018	
	Consolidated £m	University £m	Consolidated £m	University £m
Salaries	409.8	396.0	385.8	372.6
Social security costs	43.3	42.0	40.8	39.6
Pension costs (note 31)	103.8	101.9	92.8	91.1
Other unfunded pension costs	0.1	0.1	-	-
Severance costs	4.0	3.9	2.7	2.7
Staff costs excl USS movement in provision	561.0	543.9	522.1	506.0
Exceptional item: Movement on USS pension provision	195.2	195.2	(0.7)	(0.7)
Total staff costs	756.2	739.1	521.4	505.3
Analysis of the above costs by activity:				
Academic/teaching departments	304.1	304.1	284.9	284.9
Research grants and contracts	119.8	119.8	115.7	115.7
Library, computer and other academic support services	33.2	33.2	31.5	31.5
Administration and central services	50.9	50.9	43.5	43.5
Premises	21.8	21.8	19.9	19.9
Other including income-generating operations	8.6	-	8.5	-
Residences and catering operations	16.8	8.4	15.4	7.8
Unfunded pensions	0.1	0.1	-	-
Severance costs	4.0	3.9	2.7	2.7
Pension service costs in excess of scheme contributions payable and USS provision movement (note 31)	196.9	196.9	(0.7)	(0.7)
	756.2	739.1	521.4	505.3

Staff numbers (expressed as average full time equivalents during the year) were as follows:

	2019		2018	
	Consolidated	University	Consolidated	University
Academic/teaching departments	5,310	5,310	5,094	5,094
Research grants and contracts	2,191	2,191	2,173	2,173
Library, computer and other academic support services	757	757	737	737
Administration and central services	1,120	1,120	968	968
Premises	751	751	724	724
Other including income-generating operations	211	-	154	-
Residences and catering operations	624	624	604	604
	10,964	10,753	10,454	10,300
Staff on open-ended contracts	7,882	7,678	7,494	7,369
Staff on fixed-term contracts	2,666	2,659	2,576	2,547
Staff on guaranteed hours contracts	416	416	384	384
	10,964	10,753	10,454	10,300

Staff costs

Staff costs¹ grew by 7.4 per cent, 4.9 per cent due to volume increases, and 2.5 per cent increase in price. The pay award was 2 per cent and the remaining 0.5 per cent reflects incremental drift and change in the mix of staff.

1. Excluding movement on USS pension provision

Equal opportunities

The University of Edinburgh is committed to a policy of equal opportunities for staff and students with disabilities, and aims to create an environment enabling staff to participate fully in University life. Wherever practical the University policy in relation to staff with disabilities is to:

Develop a positive culture where disabled employees are able to develop to their full potential. It values a diverse workforce which includes the representation of disabled staff, and will continue to enhance and embed its approach to supporting disabled staff, through policy and good practice and in accordance with current legislation;

Ensure that we provide a working environment free from discrimination, harassment, bullying and victimisation, in line with the University's Equality and Diversity Outcomes and Action Plan and Dignity & Respect Policy; and

Commit to creating an accessible and welcoming working environment, including using both internal and external services and support for potential and current staff.

3.5 per cent (2018: 3.4 per cent) of our staff have declared that they have a disability.

Notes to the financial statements (continued)

Staff numbers (expressed as an average employee count) were as follows:

	2019		2018	
	Consolidated	University	Consolidated	University
Staff on open-ended contracts	8,901	8,689	8,538	8,408
Staff on fixed-term contracts	3,239	3,231	3,039	3,009
Staff on guaranteed hours contracts	3,746	3,746	3,440	3,440
	15,886	15,666	15,017	14,857
Percentage of staff on fixed-term contracts	20.39%	20.62%	20.24%	20.25%

Emoluments of the Principal - Professor Mathieson (appointed 5 February 2018)

	2019 £'000	2018 £'000
Remuneration	342	171
Lump sum award	-	-
Payment in lieu of employer's pension contribution	43	18
Sub-total excluding pension contributions and life cover	385	189
Employer's life cover	8	3
Employer's Pension Contribution	-	5
Benefits in kind*	10	7
	403	204

* The principal's non-taxable benefits in kind consisted of the provision of living accommodation. With effect from April 2019, HMRC has withdrawn the part of the tax exemption that previously applied to the provision of Principal's accommodation. Therefore the reporting position for next year is under review.

Median Pay

	2019 £	2018 £
Principal's remuneration	385,455	380,598
Median total remuneration	35,681	34,520
Ratio	10.80	11.03

Emoluments of the Principal

The Principal occupies a house that is provided to him by the University on a representative basis, that is, as part of his role as University Principal and is reported as a benefit in kind. As well as being used as a family home, a number of rooms within the Principal's residence are regularly used to host University events involving staff, students, alumni, and supporters.

Professor Mathieson took up the position of Principal and Vice-Convener on 5 February 2018 and opted out of the Pension scheme in March 2018. Additional payments equivalent to the pension contributions foregone are included within emoluments.

Median pay

The median remuneration of the University's staff against the full remuneration of the Principal.

Notes to the financial statements (continued)

Key management personnel

	2019 £m	2018 £m
Key management personnel compensation	2.2	1.9

	2019 number	2018 number
Number of posts (expressed as full time equivalents during the year) included in key management personnel	10.0	9.0

Senior post holders

	2019			2018 number
	Clinical number	Non-clinical number	Total	
£100,000–£109,999	18	50	68	62
£110,000–£119,999	21	26	47	38
£120,000–£129,999	13	22	35	28
£130,000–£139,999	8	13	21	19
£140,000–£149,999	9	14	23	20
£150,000–£159,999	8	9	17	17
£160,000–£169,999	9	4	13	16
£170,000–£179,999	7	8	15	11
£180,000–£189,999	6	5	11	6
£190,000–£199,999	8	-	8	11
£200,000–£209,999	4	5	9	6
£210,000–£219,999	4	3	7	4
£220,000–£229,999	1	-	1	3
£230,000–£239,999	3	-	3	5
£240,000–£249,999	2	-	2	2
£250,000–£259,999	-	1	1	-
£260,000–£269,999	-	-	-	1
£270,000–£279,999	1	-	1	-
£280,000–£289,999	-	-	-	1
£290,000–£299,999	1	-	1	-
£330,000–£339,999	1	-	1	1
£380,000–£389,999	-	1	1	-
	124	161	285	251

Compensation for loss of office

	2019 £'000	2018 £'000
Compensation payable to senior post holders	-	168
Other compensation paid in excess of £100,000	-	-
	-	168

Key management personnel

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Institution. This includes compensation paid to key management personnel.

Key management personnel compensation includes remuneration and all employee benefits including employer pension contributions.

Positions held by members of the Key Management Personnel;

- Chief Information Officer and Librarian
- Director of Corporate Services
- Director of Finance
- Principal and Vice-Chancellor
- Senior Vice-Principal
- University Secretary
- Vice-Principal and Head of College of Arts, Humanities and Social Sciences
- Vice-Principal and Head of College of Medicine and Veterinary Medicine
- Vice-Principal and Head of College of Science and Engineering
- Vice-Principal Planning, Resources and Research Policy

The Key management personnel are comprised of the members of the Senior Leadership Team; details of which are available at: www.ed.ac.uk/principals-office/vice-principals-senior-leadership/senior-leadership-team

Senior post holders

Remuneration of higher paid staff includes NHS merit awards, but exclude employer pension contributions and termination payments.

Staff are included in the range that reflects their actual remuneration for that year.

44 per cent (2018: 46 per cent) of senior post holders are clinical academics.

Compensation for loss of office

Compensation includes the cost of enhancing pension benefits on early retirement.

There was no compensation payable to key management personnel for the year (2018: nil).

There was no compensation payable to senior post holders during the year (2018: £168k to one person).

Severance arrangements for senior post holders are overseen by the University's Remuneration Committee and all compensation is paid in line with the severance guidance approved by the University Court.

Notes to the financial statements (continued)

10. Other Operating Expenses

	2019		2018	
	Consolidated £m	University £m	Consolidated £m	University £m
Academic and related expenditure	84.4	84.4	75.4	75.5
Scholarships and stipends	38.3	38.3	33.0	33.0
Research grants and contracts	107.3	107.3	104.8	104.8
Library, computer and other academic support services	14.7	14.7	16.1	16.1
Administration and central services	25.4	30.5	20.9	25.5
Refurbishment and maintenance	23.8	23.4	24.1	23.8
Utilities costs	18.1	20.9	17.2	19.7
Other premises costs	12.0	12.0	12.1	12.1
Other including income generating operations	14.2	8.2	16.1	7.5
Residences and catering operations	44.9	37.2	39.0	32.1
	383.1	376.9	358.7	350.1
Other operating expenses include:				
Agency staff costs	12.0	11.7	11.2	10.9
Operating lease rentals:				
Land and buildings	24.2	25.7	24.1	25.5
Other	1.1	1.1	1.1	1.0
Fees charged by external auditors:				
In respect of audit services	0.2	0.2	0.2	0.2
In respect of non-audit services**	0.3	0.3	0.4	0.4
Fees charged by internal auditors:*				
In respect of audit services	0.1	0.1	-	-
In respect of non-audit services	0.5	0.5	-	-

* The University has a co-sourced model for its internal audit service which comprises a mixture of in-house personnel and external assistance and specialist input from an external firm, namely KPMG LLP.

**The consolidated audit fees for 2018/19 are £241k (incl. VAT) and the non-audit services fees are £267k (incl. VAT) which is in line with our non-audit services policy.

Notes to the financial statements (continued)

11. Interest and Other Finance Costs

	Note	2019		2018	
		Consolidated £m	University £m	Consolidated £m	University £m
Loan interest		15.2	15.2	10.8	10.8
Finance lease interest		0.1	0.1	0.1	0.1
Net charge on pension scheme	20	3.9	3.9	5.9	5.9
Interest and other finance costs excl loan break costs		19.2	19.2	16.8	16.8
Exceptional item: Loan break costs		13.8	13.8	-	-
Total Interest and other finance costs		33.0	33.0	16.8	16.8

Interest and other finance costs

Interest costs have increased to £15.2 million (2018: £10.8 million). The increase is due to new debt raised in year for £250 million with Northwestern Mutual Life Insurance Company.

Loan break costs incurred in year were £13.8 million (2018: nil) due to the University repaying the outstanding high interest debt held with Prudential plc and Lloyds Bank plc.

12. Taxation

	2019		2018	
	Consolidated £m	University £m	Consolidated £m	University £m
Recognised in the statement of comprehensive income				
Current tax:				
UK Corporation tax credit on subsidiaries' profits	0.1	-	-	-
	0.1	-	-	-

Taxation

Current tax, including UK corporation tax and foreign tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

UK Corporation tax at 19 per cent (2018: 19 per cent)

13. Fixed Assets

Consolidated

	Land and buildings £m	Fixtures, fittings and equipment £m	Total £m	Heritage assets £m	Total including heritage assets £m
Cost or valuation					
As at 1 August 2018	1,810.8	199.2	2,010.0	212.8	2,222.8
Additions	119.5	22.9	142.4	0.3	142.7
Surplus on revaluation	-	-	0.0	0.8	0.8
Disposals	(1.4)	(6.1)	(7.5)	-	(7.5)
As at 31 July 2019	1,928.9	216.0	2,144.9	213.9	2,358.8
Accumulated depreciation					
As at 1 August 2018	111.7	157.2	268.9	-	268.9
Charge for the year	40.3	23.5	63.8	-	63.8
Disposals	-	(6.3)	(6.3)	-	(6.3)
As at 31 July 2019	152.0	174.4	326.4	-	326.4
Net book value					
As at 31 July 2019	1,776.9	41.6	1,818.5	213.9	2,032.4
As at 31 July 2018	1,699.1	42.0	1,741.1	212.8	1,953.9

Consolidated fixed assets

At 31 July 2019, freehold land and buildings included £96.2 million (2018: £96.7 million) in respect of freehold land and is not depreciated.

All land and buildings are held on a freehold basis with the exception of the new medical school at the Royal Infirmary of Edinburgh. This is constructed on land held under a long leasehold of 130 years.

Gains on disposal of land and building fixed assets amounted to £4.6 million (2018: £0.7 million).

Certain land and buildings have been partly financed from Exchequer funds. Funding body grants of £16.8 million recognised as income in the year relates to additional Exchequer funding of land and buildings. Should any of these assets be sold the University may be liable, under the terms of the Financial Memorandum with the Scottish Funding Council, to surrender part of the proceeds.

Notes to the financial statements (continued)

13. Fixed Assets

University	Land and buildings £m	Fixtures, fittings and equipment £m	Total £m	Heritage assets £m	Total including heritage assets £m
Cost or valuation					
As at 1 August 2018	1,802.0	185.0	1,987.0	212.8	2,199.8
Additions	119.5	22.9	142.4	0.3	142.7
Surplus on revaluation	-	-	-	0.8	0.8
Disposals	(1.4)	(6.1)	(7.5)	-	(7.5)
As at 31 July 2019	1,920.1	201.8	2,121.9	213.9	2,335.8
Accumulated depreciation					
As at 1 August 2018	109.4	144.8	254.2	-	254.2
Charge for the year	39.7	23.2	62.9	-	62.9
Disposals	-	(6.1)	(6.1)	-	(6.1)
As at 31 July 2019	149.1	161.9	311.0	-	311.0
Net book value					
As at 31 July 2019	1,771.0	39.9	1,810.9	213.9	2,024.8
As at 31 July 2018	1,692.6	40.2	1,732.8	212.8	1,945.6

University fixed assets

At 31 July 2019, freehold land and buildings included £96.0 million (2018: £96.5 million) in respect of freehold land and is not depreciated.

At 31 July 2019, land and buildings included £140.0 million (2018: £127.0 million) in respect of buildings under construction.

The net book value of tangible fixed assets includes an amount of £2.8 million (2018: £2.3 million) of buildings, fixtures and equipment held under finance leases. The depreciation charge on these assets for the year was £83,784 (2018: £31,021).

Notes to the financial statements (continued)

14. Heritage Assets

Collections	Method valuation	Valuation undertaken by	Information on qualifications of collection valuers can be found at
Rare Books, Archives and Manuscripts	External	Bernard Quaritch Ltd McNaughtan's	www.quaritch.com www.mcnaughtans.co.uk
Musical Instrument Museums Edinburgh	External	Sothebys	www.sothebys.com
Art Collection	External	Sothebys and Paolozzi Foundation	www.sothebys.com and www.paolozzifoundation.org
Museum Heritage Collection	Internal	Dr John Scally	www.ed.ac.uk/information-services/library-museum-gallery/cultural-heritage-collections/museums-and-galleries
Cockburn Museum of Geology	Internal	Dr John Scally	www.ed.ac.uk/information-services/library-museum-gallery/cultural-heritage-collections/museums-and-galleries
Natural History Collections	Internal	Prof Mark Blaxter & Prof Graham Stone	
Anatomical Collections	Internal	Malcom McCallum	
School of Chemistry	Internal	Dr John Scally	
Classics Teaching Collection	Internal	Prof Ben Harte & Dr Sue Rigby	
Polish School of Medicine Historical Collections	Internal	Dr Maria Dlugolecka-Graham	

Additions and disposals

Acquisitions for the current and previous four years were as follows:

	2019 £m	2018 £m	2017 £m	2016 £m	2015 £m
Acquisitions purchased with specific donations	0.1	0.2	-	0.1	-
Acquisitions purchased with University funds	0.2	0.4	0.1	0.2	-
Total cost of acquisitions purchased	0.3	0.6	0.1	0.3	-
Value of acquisitions by donation	-	-	-	0.1	-
Total acquisitions capitalised	0.3	0.6	0.1	0.4	-

Main collections

The University holds and conserves collections of heritage assets which are capitalised. Details of the collections held can be found at www.ed.ac.uk/information-services/library-museum-gallery/crc/collections.

University policy on acquisitions, preservation, management and disposal

The University of Edinburgh Collections Management Policy is available at: www.ed.ac.uk/information-services/library-museum-gallery/crc/about/collections-policies.

Heritage assets capitalised

Heritage assets acquired before 1 August 1999 without reliable estimates of cost or value on a cost-benefit basis have not been capitalised. Acquisitions since 1 August 1999 have been capitalised at cost, or, in the case of donated assets, at expert valuation on receipt.

The University's two major collections (the Library Special Collection of Rare Books, Manuscripts and Archives and the Fine Art Collections) were externally valued in 2015. A valuation of Special Collection items held in remote storage was undertaken in 2016. In light of the recent external valuations an uplift was not applied to the collections in the current year.

A review in year of the 2015 valuation of Library Special Collections held at New College identified that a section of the valuation was omitted. This has been included in the current year financial statements as a valuation movement, with valuers confirming that there has been no material movement in the collections value since the date of valuation.

The remaining collections are assessed internally by the University's Centre for Research Collections. Any movement in value is applied if commensurate with market activity, or material benefit to the readers of the Annual Report and Accounts.

Additions and disposals

The University receives a large number of donated assets in addition to heritage assets bought by the University's Centre for Research Collections. Donated assets are not valued unless they are of special interest as the cost of doing so is not commensurate with the benefits to readers of the Annual Report and Accounts. Donated assets that are capitalised are reported in the consolidated statement of comprehensive income and expenditure at valuation.

The University also loans out and receives loans of heritage assets.

Notes to the financial statements (continued)

15. Non-Current Investments

Consolidated

	University of Edinburgh Endowment and Investment Fund £m	Other fixed asset investments £m	Total £m
As at 1 August 2018	564.5	6.3	570.8
Additions	17.3	200.5	217.8
Disposals	(7.7)	-	(7.7)
Appreciation	35.1	1.7	36.8
As at 31 July 2019	609.2	208.5	817.7
Non-current investments consist of:			
The University of Edinburgh Endowment and Investment fund	609.2	-	609.2
Other	-	202.7	202.7
Edinburgh University Press Ltd (intellectual property)	-	0.1	0.1
Unlisted investments	-	5.7	5.7
	609.2	208.5	817.7

University

	Subsidiary companies £m	University of Edinburgh Endowment and Investment Fund £m	Other fixed asset investments £m	Total £m
As at 1 August 2018	8.2	564.5	1.0	573.7
Additions	-	17.3	200.4	217.7
Disposals	-	(7.7)	-	(7.7)
Loans advanced	0.1	-	-	0.1
Appreciation	-	35.1	1.3	36.4
As at 31 July 2019	8.3	609.2	202.7	820.2

Non-current investments

The Endowment and Investment Fund investment is 25.6 per cent Treasury and 74.4 per cent Endowment funds.

As well as diversifying risk by investing in different types of asset there are 10 fund managers.

The unit price has increased 6.1 per cent from £42.36 to £44.95 giving appreciation of £35.1 million.

Notes to the financial statements (continued)

University

	Subsidiary companies £m	University of Edinburgh Endowment and Investment fund £m	Other fixed assets investments £m	Total £m
Non-current investments consist of:				
The University of Edinburgh Endowment and Investment fund				
Equities	-	366.4	-	366.4
Fixed interest stocks	-	24.5	-	24.5
Property	-	121.6	-	121.6
Multi asset type	-	82.4	-	82.4
Venture capital	-	6.9	-	6.9
Debtor	-	2.5	-	2.5
Bank deposits held at fund managers	-	4.2	-	4.2
Bank deposits held by the University	-	0.7	-	0.7
Other investments				
pure LiFi	-	-	0.5	0.5
Big Issue	-	-	0.8	0.8
Aegon Asset Management	-	-	100.9	100.9
MI TwentyFour Asset Management	-	-	100.5	100.5
Investment in subsidiary companies				
Edinburgh University Press Ltd	0.4	-	-	0.4
Loans to subsidiary companies				
UoE Estates Services Company Ltd	4.3	-	-	4.3
Old College Capital LLP	3.4	-	-	3.4
Hong Kong Centre for Carbon Innovation Ltd	0.2	-	-	0.2
	8.3	609.2	202.7	820.2

Non-current investments

The loans to subsidiary companies are interest bearing with the exception of the loans to provide venture capital funding to Old College Capital LLP and Old College Capital Strategic Investments.

Interest is charged at 4.82% on the Loan to UoE Estates Services Company Ltd and 5% on the loan to Hong Kong Centre for Carbon Innovation Ltd.

16. Trade And Other Receivables

	2019		2018	
	Consolidated £m	University £m	Consolidated £m	University £m
Amounts falling due within one year:				
Research grants receivables	81.2	81.2	77.2	77.2
Other trade receivables	26.3	13.7	39.4	23.1
Prepayments and accrued income	30.7	28.9	16.1	15.1
Amounts due from subsidiary companies	-	4.9	-	3.7
	138.2	128.7	132.7	119.1
Amounts falling due after one year:				
Amounts held by lawyer for SEPA	0.5	0.5	-	-
Total receivables	138.7	129.2	132.7	119.1

Notes to the financial statements (continued)

17. Current Investments

	2019		2018	
	Consolidated £m	University £m	Consolidated £m	University £m
Short-term deposits	207.4	207.4	180.0	180.0

18. Creditors: Amounts Falling Due Within One Year

	2019		2018	
	Consolidated £m	University £m	Consolidated £m	University £m
Unsecured loans	3.0	3.0	3.2	3.2
Obligations under finance leases	0.3	0.3	0.2	0.2
Trade payables	42.0	38.5	33.0	30.6
Social security and other taxation payable	13.0	12.9	12.1	12.0
Other creditors	9.2	9.2	7.1	7.1
Concessionary loans	1.7	1.7	0.7	0.7
Accruals and deferred income (see below)	276.1	269.4	254.2	248.4
Amounts due to subsidiary companies	-	23.7	-	24.6
	345.3	358.7	310.5	326.8

Accruals and deferred income

	2019		2018	
	Consolidated £m	University £m	Consolidated £m	University £m
Accruals	61.2	60.9	49.8	49.8
Donations and other restricted income deferred	35.0	35.0	23.4	23.4
Research grants received on account	132.8	132.8	124.8	124.8
Estates capital grants deferred	6.2	6.2	15.5	15.5
Other income deferred	40.9	34.5	40.7	34.9
	276.1	269.4	254.2	248.4

19. Creditors: Amounts Falling Due After More Than One Year

	2019		2018	
	Consolidated £m	University £m	Consolidated £m	University £m
Obligations under finance leases	0.8	0.8	0.6	0.6
Unsecured loans	591.4	591.4	380.6	380.6
Concessionary loans	12.7	12.7	4.5	4.5
Other creditors	0.1	0.1	0.7	0.7
	605.0	605.0	386.4	386.4

Current investments

The University's Treasury Management policy grants the Director of Finance delegated authority to deposit or invest funds with approved organisations to approved limits. As at 31 July 2019 the short-term deposits had interest rates ranging from 0.9 per cent to 1.4 per cent and are fixed for between 3 and 18 months. All short-term deposits have a maturity date less than 12 months from the 31 July 2019.

Trade payables

The ratio of trade payables to operational expenses is 10.9 per cent (2018: 11.2 per cent), a decrease of 0.3 per cent.

Accruals and deferred income

In addition to accruals of expenditure, research and other restricted income has been deferred until specific performance-related conditions have been met.

Public benefit concessionary loans:

The University received a £5.2 million loan in 2018 from Salix Finance Limited in partnership with Scottish Funding Council. The loan has a 7 year term and is interest free. The loan is required to be repaid in 84 equal monthly instalments over seven years, with the last repayment due on 1 July 2026.

In 2019 the University received a £9.1 million loan from the Scottish Funding Council. The loan has a 10 year term and has an interest rate of 0.25 per cent. The final repayment is due on 31 March 2029. The loan will be used to support Phase 1 of the Student Centre project.

Notes to the financial statements (continued)

Borrowings, including creditors falling due within one year, at 31 July were as follows:

	Note	2019		2018	
		Consolidated £m	University £m	Consolidated £m	University £m
Obligations under finance leases are due as follows:					
Due within one year	18	0.3	0.3	0.2	0.2
Due between two and five years		0.8	0.8	0.6	0.6
Due in five years or more		-	-	-	-
		1.1	1.1	0.8	0.8

		2019		2018	
		Consolidated £m	University £m	Consolidated £m	University £m
Unsecured bank loans are repayable as follows:					
Due within one year	18	3.0	3.0	3.2	3.2
Due between two and five years		32.1	32.1	25.2	25.2
Due in five years or more		559.3	559.3	355.4	355.4
		594.4	594.4	383.8	383.8

Unsecured loans outstanding at 31 July 2019 were as follows:

	Interest rate %	Repayable	Borrower	Amount £m
European Investment Bank	4.105	2017-2036	University	39.8
European Investment Bank	2.105	2021-2046	University	200.0
Private Placements due in 20 years*	3.20	2036	University	40.0
Private Placements due in 25 years*	3.38	2041	University	40.0
Private Placements due in 30 years*	3.46	2046	University	20.0
Northwestern Mutal due in 20 years**	2.62	2038	University	110.0
Northwestern Mutal due in 25 years**	2.68	2043	University	75.0
Northwestern Mutal due in 30 years**	2.69	2048	University	65.0
The Royal Bank of Scotland plc	0.2% above base	2017-2037	University	5.0
FRS 102 amortisation adjustment				(0.4)
				594.4

Unsecured loans outstanding as at 31 July 2019 were as follows:

*In 2015/16 the University raised £100 million through the issue of senior notes purchased by US financial institutions, Northwestern Mutual Life Insurance Company and Babson Capital Management.

**The University raised new debt of £250 million from Northwestern Mutual Life Insurance Company in 2018/19. This additional debt was used to repay the debt held with Prudential plc and Lloyds Bank plc loans.

The European Investment Bank has given no indication that the outcome of the UK's departure from the EU will impact on our agreement.

Notes to the financial statements (continued)

20. Pension and other provisions

Consolidated and University

	Obligation to fund deficit on USS pension £m	Pension enhancement on termination £m	Unfunded pension provision £m	Funded pension scheme provision £m	Total £m
As at 1 August 2018	103.8	6.1	0.9	52.5	163.3
Utilised in year	(4.5)	(0.7)	(0.1)	(10.8)	(16.1)
Additions in year	199.8	-	-	12.6	212.4
Additional contributions paid by the University	-	-	-	(1.1)	(1.1)
Interest in year	2.3	0.2	-	1.4	3.9
Actuarial loss in respect of pension schemes	-	0.5	0.1	69.4	70.0
As at 31 July 2019	301.4	6.1	0.9	124.0	432.4

Other Provisions

	Decommissioning Provision £m	Total £m
As at 1 August 2018	-	-
Additions in year	0.6	0.6
Utilised in year	-	-
As at 31 July 2019	0.6	0.6
Total Provisions		433.0

Pension and other provisions

In compliance with FRS 102, Section 21: Provisions and contingencies, the provisions relate only to contractual and legal obligations of the University. Provisions relating to retirement benefits and details including assumptions used are included in Note 31: Pension Schemes.

USS deficit

The obligation to fund the past deficit on the Universities Superannuation Scheme (USS) arises from the contractual obligation with the USS to pay deficit payments in accordance with the deficit recovery plan. In calculating this provision, management have estimated future staff levels within the USS scheme for the duration of the contractual obligation and salary inflation.

The adoption of the new deficit recovery plan following the 2017 actuarial valuation has given rise to a significant increase in the deficit provision which has increased from £103.8 million to £301.4 million. This increase is attributable to the change in the deficit contributions contractual commitment. More details on the 2017 actuarial valuation are set out in note 31.

Since the year end, following the completion of the 2018 actuarial valuation, a new deficit recovery plan has been agreed of which more detail is given in note 31. As at 31 July 2019 and with all other assumptions used to calculate the provision unchanged, this would have resulted in a revised provision of £165.3 million, a decrease of £136.1 million from the current year end provision.

Pension enhancement and unfunded pensions

The University has a liability for the enhancement of pensions payable to some former members of staff who have taken early retirement and for the supplementation of Federated Superannuation Scheme for Universities (FSSU) and state pensions granted to certain former members of the University staff. These liabilities are unfunded but are assessed on the same basis as the liabilities within each defined benefit pension scheme.

Funded pension schemes

The provision represents the net liability in respect of the deficits on the Staff Benefit Scheme, Strathclyde Pension Fund and Lothian Pension fund assessed under FRS 102.

Decommissioning provision

The provision is held under the Radioactive Substances Act 1993 and the HASS (Scotland) Directions 2005 to provide for the safe management of hazardous material when they become disused.

Notes to the financial statements (continued)

21. Endowment Reserves

Consolidated and University

	Permanent unrestricted endowments £m	Permanent restricted endowments £m	Expendable restricted endowments £m	2019 Total £m	2018 Total £m
Capital	6.4	129.0	225.7	361.1	335.3
Accumulated income	-	13.3	49.7	63.0	56.8
As at 1 August	6.4	142.3	275.4	424.1	392.1
New endowments	-	0.2	7.9	8.1	1.4
Investment income	0.1	2.9	6.2	9.2	8.7
Expenditure	(0.1)	(2.5)	(5.2)	(7.8)	(8.1)
Increase in market value of investments	0.4	8.6	17.3	26.3	30.0
	0.4	9.2	26.2	35.8	32.0
Transfers	-	(3.0)	3.0	-	-
As at 31 July	6.8	148.5	304.6	459.9	424.1
Represented by:					
Capital	6.8	134.0	251.2	392.0	361.1
Accumulated income	-	14.5	53.4	67.9	63.0
	6.8	148.5	304.6	459.9	424.1
Analysis by type of purpose:					
Chairs and lectureships	0.9	20.3	41.6	62.8	57.9
Prizes and scholarships	3.7	79.0	162.0	244.7	225.6
Other	2.2	49.2	101.0	152.4	140.6
	6.8	148.5	304.6	459.9	424.1
Non-current asset investments:					
Equities	4.1	88.2	180.6	272.9	248.5
Fixed interest stocks	0.3	5.9	12.1	18.3	18.1
Property	1.3	29.3	60.0	90.6	83.8
Multi asset	0.9	19.8	40.7	61.4	61.4
Venture capital	0.1	1.7	3.4	5.2	3.3
Debtor	-	0.6	1.2	1.8	-
Bank deposits held at fund managers	-	1.0	2.1	3.1	1.7
Bank deposits held by the University	-	0.2	0.4	0.6	1.2
Non-current asset investments	6.7	146.7	300.5	453.9	418.0
Cash balances held by the University	0.1	1.1	2.3	3.5	5.0
Current asset - working capital	-	0.7	1.8	2.5	1.1
Total endowment assets	6.8	148.5	304.6	459.9	424.1

Endowment reserves

The University's Endowment Fund is part of the Endowment and Investment Fund of £609.2 million (see note 15) which is invested with a number of fund managers and in different asset types to diversify risk.

Notes to the financial statements (continued)

22. Restricted Reserves

Consolidated

	Capital grants £m	Donations and revenue grants £m	2019 Total £m	2018 Total £m
As at 1 August	17.4	39.5	56.9	48.2
New donations and grants receivable	31.0	34.2	65.2	60.7
Capital grants utilised	(46.4)	-	(46.4)	(26.2)
Expenditure	-	(30.2)	(30.2)	(25.8)
Total restricted comprehensive (expenditure)/income for the year	(15.4)	4.0	(11.4)	8.7
As at 31 July	2.0	43.5	45.5	56.9
Closing reserves comprise the following funds:				
Donations			18.6	15.9
Capital grants			2.0	17.4
Other grants			1.3	1.5
Funds held at University of Edinburgh Development Trust			23.6	22.1
			45.5	56.9

University

	Capital grants £m	Donations and revenue grants £m	2019 Total £m	2018 Total £m
As at 1 August	5.5	17.3	22.8	23.0
New donations and grants receivable	30.9	10.4	41.3	35.4
Capital grants utilised	(36.4)	-	(36.4)	(25.9)
Expenditure	-	(7.8)	(7.8)	(9.7)
Total restricted comprehensive (expenditure)/income for the year	(5.5)	2.6	(2.9)	(0.2)
As at 31 July	-	19.9	19.9	22.8

23. Revaluation Reserve

Consolidated and University

	Heritage assets £m	2019 Total £m	2018 Total £m
As at 1 August	207.8	207.8	207.8
Revaluation in year	0.8	0.8	-
As at 31 July	208.6	208.6	207.8

Notes to the financial statements (continued)

24. Cash and Cash Equivalents

Consolidated

	2019 £m	2018 £m
As at 1 August	236.1	250.2
Net change in cash and cash equivalent balances	2.4	(14.1)
As at 31 July	238.5	236.1

University

	2019 £m	2018 £m
As at 1 August	225.2	221.3
Net change in cash and cash equivalent balances	(2.2)	3.9
As at 31 July	223.0	225.2

25. Capital and Other Commitments

	2019		2018	
	Consolidated £m	University £m	Consolidated £m	University £m
Commitments contracted for at 31 July	151.2	151.2	102.2	102.2

26. Contingent Liabilities

Subsidiary Companies

The University has given written undertakings to support its subsidiary companies for at least twelve months from the date of approval of their financial statements.

Capital Works

A contractor is in dispute with the University in respect of capital works undertaken which exceeded the project budget. The contractor has now commenced an arbitration process. An arbitrator has been appointed and the first meeting took place on 26 September 2019 to agree a timeframe for resolving the dispute. The University has appointed legal and expert technical advisers to assist. This process is likely to take 18 months to conclude and it is not practicable to determine the timing of the payment, if any.

The amount in dispute is £3.75 million. While it is possible, it is not probable that the full amount being claimed will be paid and, accordingly, no provision for any liability has been made in these financial statements.

27. Lease Obligations

Total rentals payable under operating leases:

	2019			2018
	Land and buildings £m	Other leases £m	Total £m	Total £m
Payable during the year	25.7	1.1	26.8	24.1
Future minimum lease payments due:				
Due within one year	23.4	1.0	24.4	16.9
Due between two and five years	54.1	0.9	55.0	28.7
Due in five years or more	107.3	-	107.3	42.7
Total lease payments due	184.8	1.9	186.7	88.3

Lease Obligations

Lease commitments have increased as a result of two long term property leases being added to the lease register. Both leases are for student accommodation.

28. Post balance sheet events

As set out in Note 31 in respect of the USS pension scheme, a new Schedule of Contributions based on the 2018 actuarial valuation has been agreed. This results in a decrease of £136.1 million in the provision for the obligation to fund the deficit on the USS pension which would instead be £165.3 million. This adjustment will be reflected in the University's financial statements for the year ended 31 July 2020.

Notes to the financial statements (continued)

29. Subsidiary Undertakings

Subsidiary undertakings comprise companies registered in Scotland as follows

Subsidiary	% holding	Principal activities and other organisational information
Edinburgh Innovations Limited	100%	Commercialisation of the world-class research and academic expertise at the University of Edinburgh to potential funders, collaborators, licensees or investors.
Edinburgh Technology Fund Limited	100%	Management of investment funds providing seed corn venture capital for early stage high-technology developments and the management of its portfolio of investments made using its funds.
UoE Accommodation Limited	100%	Non-student lettings and the provision of nursery childcare services for the University of Edinburgh.
UoE HPCX Limited	100%	Provision of high-performance computing services.
UoE Estates Services Company Limited	100%	Provision of utility services to the University.
Old College Capital LP, SI and GP	100%	Old College Capital GP Limited acts as a general partner in two Scottish Limited Partnerships. The first is Old College Capital LP which makes early and mid-stage investments into selected companies that emerge from the University and the second is Old College Capital SI LP, which invests in Epidarex, a venture capital fund. In addition, for both these Limited Partnerships, the University is the limited partner.
Research into Results Limited	100%	Delivery of research and project management services in the area of international development.
Edinburgh University Press Limited	100%	A charity registered in Scotland, registered charity number SC035813, incorporated as a limited company. The principal activity of Edinburgh University Press Limited is the publication of educational books and journals.
The University of Edinburgh Development Trust		A charity registered in Scotland, registered charity number SC004307. The trust is classed as a “quasi-subsubsidiary” of the University under the guidelines of FRS 102: Section 2 Concepts and Pervasive Principles. The primary purpose of the Trust is to act as a fund raiser of funds for the benefit of the University.
The Andrew Grant Bequest		A charity registered in Scotland, Registered Charity No SC001097. The trust is classed as a “quasi-subsubsidiary” of the University under the guidelines of FRS 102: Section 2 Concepts and Pervasive Principles. The primary purpose of the charity is to manage the monies in The Andrew Grant Bequest in accordance with the terms of the original benefaction from Andrew Grant.

Other subsidiary undertakings are as follows:

Subsidiary	% holding	Principal activities and other organisational information
University of Edinburgh Deaconess Limited	100%	A company registered in England. The main activities are that of investing in and operating student accommodation property, and in particular, Deaconess House.
Hong Kong Centre for Carbon Innovation Limited	100%	A company registered in Hong Kong. The company was set up to establish itself as a hub for education, research and development, and application of world-class low carbon solutions with strong partnerships among the UK, Hong Kong and China.

Notes to the financial statements (continued)

29. Subsidiary Undertakings (continued)

Overseas Offices

The University operates overseas offices of which several are incorporated including the North American Office - University of Edinburgh incorporated, registered in the United States which supports the University's activity in North America.

Subsidiary undertakings dissolved in the year or in the process of winding up are as follows:

Subsidiary	% holding	Principal activities and other organisational information
FloWave TT Limited	100%	The company is registered in Scotland. The company was dissolved in August 2018.
Sunergos Innovations Limited	100%	The company is registered in Scotland. The company was dissolved in August 2018.

Associated undertakings include the following:

Subsidiary	Principal activities and other organisational information
Fortissimo Marketplace Limited	The University is one of three members of the Company which is limited by guarantee. Fortissimo is a collaborative project that enables European small and medium-sized enterprises to be more competitive globally through the use of simulation services running on High Performance Computing Cloud infrastructure.
Hua Xia	The Shenzhen initiative is a partnership between the University and the China-based Hua Xia Healthcare Holdings. The collaboration will develop medical and scientific knowledge over the next four years. Staff from Edinburgh will support medical education and research at Shenzhen University's new medical school and teaching hospital campus.
The Alan Turing Institute	The Alan Turing Institute was created as the national institute for data science in 2015. In 2017, as a result of a government recommendation, artificial intelligence was added to the remit. The University was one of the five founding universities in 2015. An additional eight new universities joined the Institute in 2018.
Rosalind Franklin Institute	The University is a member of the newly formed Rosalind Franklin Institute along with nine other UK universities. The new national institute is dedicated to bringing about transformative changes in life science through interdisciplinary research and technology development.
Roslin Cells Limited	Following the acquisition of the Roslin Institute, the University now nominates one member of Roslin Cells, a company limited by guarantees of £1 from each of the two members. No share of the accounts of that body is consolidated on the ground of materiality.
Roslin Technologies Limited	Roslin Technologies is a joint venture between the University of Edinburgh and two investment and business development partners. The Company's principal activity is to commercialise the intellectual property, capabilities and knowhow of The Roslin Institute and The Royal (Dick) School of Veterinary Studies.
Scottish Universities Environmental Research Centre (SUERC)	SUERC is a jointly controlled entity with the University of Glasgow. SUERC was established to provide to the Universities of the Scottish Consortium collaborative access to expensive equipment and specialist expertise. The main areas of strength are in geochemistry, radiochemistry and isotope biogeosciences.

In addition to the above associated undertakings, the Group and University nominate members of other companies limited by guarantee, and have also acquired in excess of 20 per cent of the issued capital of several start-up companies limited by shares, under seed corn funding and spin-off arrangements. No consolidation is made in these financial statements and no investment value is reflected on the basis of materiality.

Notes to the financial statements (continued)

30. Connected Charitable Institutions

Consolidated

	Total net assets opening balance £m	Income £m	Expenditure £m	Change in market value £m	Total net assets closing balance £m
University of Edinburgh Development Trust (Scottish Charity No. SC004307)	35.4	27.4	(34.2)	-	28.6
Edinburgh University Press Limited (Scottish Charity No. SC035813)	2.0	3.7	(3.6)	-	2.1
The Andrew Grant Bequest (Scottish Charity No. SC001097)	5.3	0.1	(0.1)	0.4	5.7
	42.7	31.2	(37.9)	0.4	36.4

Not consolidated

	Total net assets opening balance £m	Income £m	Expenditure £m	Change in market value £m	Total net assets closing balance £m
Edinburgh University Students' Association* (Scottish Charity No. SC015800)	0.0	12.7	(12.7)	-	0.0
Edinburgh University Sports Union (Scottish Charity No. SC009248)	0.1	0.9	(0.9)	-	0.1
	0.1	13.6	(13.6)	-	0.1

Connected charitable institutions

A number of charitable institutions are administered by or on behalf of the University and have been established for its general or special purposes. Three of the connected institutions are included as a subsidiary undertaking in these consolidated financial statements; the others are not included in the consolidation since the University does not have control over their activities.

The University Court is also the sole Corporate Trustee of Andrew Grant Bequest which is included in the Group accounts of the University.

*Note the Edinburgh University Students' Association figures are at 31 March 2019, which is in line with their reporting year end.

Notes to the financial statements (continued)

31. Pension Schemes

University pension schemes

The University participates in three active pension schemes; the Universities Superannuation Scheme (USS), the University of Edinburgh Staff Benefits Scheme (EUSBS) and the National Employee Savings Trust (NEST), and operates salary sacrifice for active staff members of these schemes. The University also participates in other legacy pension schemes on behalf of both retired and active members. These legacy schemes are closed to new University employees but some former employees of Moray House Institute of Education, Edinburgh College of Art and the Medical Research Council Human Genetics Unit remain members of the Scottish Teachers Superannuation Scheme (STSS), the Strathclyde Pension Fund (SPF), the Lothian Pension Fund (LPF) and the Medical Research Council Pension Scheme (MRCPS). The University also participates in a Scottish Widows Group Personal Pension (GPP) for staff in certain sections of EI that were transferred to the University. The Federated Superannuation Scheme for Universities (FSSU) covers a small number of academic staff that did not transfer to USS when it was introduced in 1975.

USS, STSS, MRCPS and NHSSS are multi-employer schemes and, given the mutual nature of the schemes, it is not possible to identify the University's share of the assets and liabilities for these schemes. Consequently, the University cannot apply defined benefit accounting and, according to section 28 FRS 102, the schemes are accounted for as defined contribution schemes. Costs charged to the consolidated statement of comprehensive income and expenditure (the Consolidated Statement) shown below reflect the contributions in year. No share of any deficit or surplus in the STSS, MRCPS and NHSSS schemes are included in these financial statements. A liability for the future contributions payable to USS that relate to a deficit recovery plan agreement is recognised and the resulting expense is included in the Consolidated Statement.

The EUSBS, SPF and LPF schemes are accounted for under FRS 102, section 28 and the funded pension costs charged to the Consolidated Statement shown below reflect the service cost calculated under FRS 102. The FRS 102 disclosures of the University pension assets, liabilities and costs are included at the end of this note.

Overall scheme participation and pension costs

	Employer contribution rate at 31 July 2019	Employee contribution rate at 31 July 2019	Active members at 31 July 2019	Pension costs year to 31 July 2019 £'000	Active members at 31 July 2018	Pension costs year to 31 July 2018 £'000
Defined contribution plan						
USS	19.50%(1)	8.8%	8,855	86,519	7,882	78,434
STSS	17.20%	7.2% to 11.9%	61	437	66	470
MRCPS	15.90%	5.25% to 6.5%	49	381	53	371
NEST	3%	5%	1,833	1,872	1,590	1,169
GPP	14%	4.5%	8	102	7	79
Other: NHS and subsidiaries	20.90%	5.2% to 14.7%	123	1,914	99	1,587
Sub-total: members and costs			10,929	91,225	9,697	82,110
Defined benefit plan						
EUSBS	16.20%	8%	1,847	11,900	1,825	10,300
SPF	37.5%(2)	5.5% to 11.2%	24	416	24	277
LPF	41.8%(3)	5.5% to 11.2%	19	254	20	149
Sub-total: Members and service cost per FRS102 disclosures below			1,890	12,570	1,869	10,726
Total members and cost			12,819	103,795	11,566	92,836

1. Included a deficit recovery plan contribution of 5 per cent
2. An additional SPF employer's contribution of £750,000 (2019 £750,000) is payable for the 12 months ending 31 March 2020
3. An additional LPF employer's contribution of £500,700 (2019 £404,200) is payable for the 12 months ending 31 March 2020

Notes to the financial statements (continued)

Key actuarial assumptions

	Discount rate	Salary increase rate	Pensions increase rate	Current pensioners mortality rate (1)		Non-pensioners mortality rate	
				Males	Females	Males	Females
USS March 2014 deficit valuation	2.44%	n/a	2.11%	24.6	26.1	26.6	27.9
Valuations under FRS102 at 31 July 2019							
EUSBS	2.10%	3.20%(2)	2.25%(3)	21.2	23.6	22.6	25.1
LPF	2.10%	4.20%	2.50%	21.7	24.3	24.7	27.5
SPF	2.10%	4.20%	2.50%	20.7	22.9	22.2	24.6

1. Mortality rates are based on assumed life expectancy at the retirement age
2. Salary increases are assumed to be 3.2 per cent based on CPI plus 1 per cent
3. Benefits after 31 December 2016

The Universities Superannuation Scheme (USS)

The institution participates in the USS. The scheme is a hybrid pension scheme, providing defined benefits (for all members), as well as defined contribution benefits. The assets of the scheme are held in a separate trustee-administered fund. Due to the mutual nature of the scheme, the assets are not attributed to individual institutions and a scheme-wide contribution rate is set. The institution is therefore exposed to actuarial risks associated with other institutions' employees and is unable to identify its share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis. As required by Section 28 of FRS 102 "Employee benefits", the institution therefore accounts for the scheme as if it were a wholly defined contribution scheme. As a result, the amount charged to the Consolidated Statement represents the contributions payable to the scheme. Since the institution has entered into an agreement (the Recovery Plan) that determines how each employer within the scheme will fund the overall deficit, the institution recognises a liability for the contributions payable that arise from the agreement (to the extent that they relate to the deficit) and therefore an expense is recognised.

FRS 102 makes the distinction between a group plan and a multi-employer scheme. A group plan consists of a collection of entities under common control, typically with a sponsoring employer. A multi-employer scheme is a scheme for entities not under common control and represents (typically) an industry-wide scheme such as the USS. The accounting for a multi-employer scheme where the employer has entered into an agreement with the scheme that determines how the employer will fund a

deficit results in the recognition of a liability for the contributions payable that arise from the agreement (to the extent that they relate to the deficit). The resulting expense is recorded in the Consolidated Statement in accordance with section 28 of FRS 102. Court is satisfied that the scheme provided by the USS meets the definition of a multi-employer scheme and has therefore recognised the discounted fair value of the contractual contributions under the funding plan in existence at the date of approving the financial statements.

The total cost charged to the Consolidated Statement is £86.5 million (2018: £78.4 million) as shown in the overall scheme participation and pension costs table.

The latest available complete actuarial valuation of the Retirement Income Builder section of the Scheme is at 31 March 2017 (the valuation date), which was carried out using the projected unit method. As at the year end a valuation as at 31 March 2018 was underway but not yet complete. Since the institution cannot identify its share of Retirement Income Builder Section of the Scheme assets and liabilities, the following disclosures reflect those relevant for the section as a whole. The 2017 valuation was the fourth valuation for USS under the scheme-specific funding regime introduced by the Pensions Act 2004. It requires schemes to adopt a statutory funding objective, which is to have sufficient and appropriate assets to cover their technical provisions. At the valuation date, the value of the assets of the scheme were £60.0 billion and the value of the scheme's technical provisions were £67.5 billion indicating a shortfall of £7.5 billion.

The key financial assumptions used in the 2017 valuation are described below. More detail is set out in the Statement of Funding Principles.

Notes to the financial statements (continued)

Pension increases (CPI)	Term dependent rates in line with the difference between the Fixed Interest and Index Linked yield curves, less 1.3% p.a.
Discount rate (forward rates)	Years 1-10: CPI – 0.53% reducing linearly to CPI – 1.32% Years 11-20: CPI + 2.56% reducing linearly to CPI + 1.7% by year 21 Years 21 +: CPI + 1.7%

The main demographic assumption used relates to the mortality assumptions. These assumptions are based on analysis of the scheme's experience carried out as part of the 2017 actuarial valuation. The mortality assumptions used in these figures are as follows:

2017 valuation		
	Pre-retirement:	Post retirement:
Mortality base table	71% of AMC00 (duration 0) for males and 112% of AFC00 (duration 0) for females.	96.5% of SAPS S1NMA "light" for males and 101.3% of RFV00 for females.
Future improvements to mortality	CMI_2016 with a smoothing parameter of 8.5 and a long term improvement rate of 1.8% p.a. for males and 1.6% p.a. for females.	

The current life expectancies on retirement at age 65 are:

	2019	2018
Males currently aged 65 (years)	24.6	24.5
Females currently aged 65 (years)	26.1	26.0
Males currently aged 45 (years)	26.6	26.5
Females currently aged 45 (years)	27.9	27.8

	2019	2018
Scheme assets	£67.4bn	£63.6bn
Total Scheme liabilities	£79.2bn	£72.0bn
FRS 102 total Scheme deficit	£11.8bn	£8.4bn
FRS 102 total funding level	85%	88%

A new deficit recovery plan was put in place as part of the 2017 valuation, which requires payment of 5 per cent of salaries over the period 1 April 2020 to 30 June 2034. The 2019 pension liability provision reflects this plan. The provision figures have been produced using the following assumptions as at 31 March 2018 and 2019.

	2019	2018
Discount rate	2.44%	2.64%
Pension increases (CPI)	2.11%	2.02%

Notes to the financial statements (continued)

The 2018 actuarial valuation was finalised after the year end which indicated a shortfall of £3.6 billion and a funding ratio of 95 per cent.

Since the year end, following the completion of the 2018 actuarial valuation, a new deficit recovery plan has been agreed. This amends the existing deficit recovery plan as set out in the 2017 valuation Schedule of Contributions. This new plan requires deficit payments of 2 per cent of salaries from 1 October 2019 to 30 September 2021 and then payments of 6 per cent of salaries from 1 October 2021 to 31 March 2028. As at 31 July 2019 and assuming all other assumptions used to calculate the provision remain unchanged, this would have resulted in a revised provision of £165.3 million, a decrease of £136.1 million from the current year end provision and a lower charge to USS increase in provision on the Consolidated Statement of £59.2 million.

Scottish Teachers Superannuation Scheme (STSS)

The STSS provides final salary benefits to former members of the Moray House School of Education and is a multi-employer defined benefits scheme. The University is unable to identify its share of the underlying assets and liabilities of the scheme. Accordingly, the University has taken advantage of the exemption in FRS 102 and has accounted for a defined contribution scheme. The last four-yearly valuation was carried out as at 31 March 2016 and a shortfall of £1.3 billion was identified in the notional fund. The shortfall will be repaid by a supplementary rate of 4.3 per cent of employers' pension contribution for fifteen years from 1 April 2019. This contribution is included in the 17.2 per cent employers' contribution rate (23 per cent from 1 September 2019).

As the scheme is unfunded, no surplus or shortfall can be identified. The scheme is financed by payments from employers and from those current employees who are members of the scheme and paying contributions at progressively higher marginal rates based on pensionable pay, as specified in the regulations. The rate of employer contribution is set with reference to a funding valuation undertaken by the scheme actuary.

Medical Research Council Pension Scheme (MRCPS)

As a result of the merger with the Human Genetics Unit, the University obtained membership of the MRCPS with effect from 1 October 2011. The MRCPS is a final salary, defined benefit pension scheme. Under the terms of the merger the MRCPS is responsible for past service liabilities prior to the merger and the University is responsible for the future service from the merger date.

The University is unable to identify its share of the underlying assets and liabilities of the scheme. Under the definitions set out in FRS 102, the MRCPS is a multi-employer scheme. Accordingly, the University has taken advantage of the exemption in FRS 102 and has accounted for its contributions as if it were a defined contribution scheme.

The required MRCPS contribution rate is assessed every three years in accordance with advice of the Government Actuary. Triennial valuations are conducted under the Pensions Act 2004 on a scheme specific funding basis using the project unit method. The latest actuarial assessment of the MRCPS was at 31 December 2016. At the valuation date, the value of the assets of the MRCPS was £1.41 billion (2013: £1.05 billion) and the value of the scheme's technical provisions was £1.12 billion indicating a surplus of £281 million. The assets were therefore sufficient to cover 126 per cent of the benefits that accrued to members after allowing for expected future increases in earnings. As a result of the 2016 valuation, the trustees determined that the employer contribution rate from 1 April 2018 will increase to 15.9 per cent.

National Employee Savings Trust (NEST)

The University joined the NEST scheme in March 2013 to provide a low-cost alternative pension to EUSBS scheme membership. NEST is administered by a Trustee and was established as a result of the 2008 Pensions Act, which introduced the requirement to automatically enrol workers into a workplace pension scheme if they:

- are aged between 22 and State Pension Age;
- earn more than £10,000 a year; and
- work in the UK.

NEST is a defined contribution scheme. Pension contribution rates will be set by the scheme's actuary at a level to meet the cost of pensions as they accrue.

Group Personal Pension (GPP)

As a result of the pre-award research project administration and legal teams of Edinburgh Innovations (EI) being transferred to the University, the University gained a number of staff in a Scottish Widows GPP. This is a defined contribution pension scheme.

National Health Service Superannuation Scheme (NHSSS)

As a result of the merger with the Human Genetics Unit, the University gained a number of staff in the NHSSS pension scheme. Under the definitions set out in FRS 102, the NHSSS is a multi-employer scheme. The University is unable to identify its share

of the underlying assets and liabilities of the scheme. Accordingly, the University has taken advantage of the exemption in FRS 102 and has accounted as if it were a defined contribution scheme. An actuarial assessment was carried out at 31 March 2016. At that date the Scheme had total liabilities of £34.7 billion and notional assets of £32.5 billion giving a notional past service deficit of £2.2 billion.

The Federated Superannuation Scheme for Universities (FSSU)

FSSU was a defined benefit scheme and covered a very small number of academic staff who did not transfer to USS when it was introduced in 1975. Pension provision was by means of assurance policies, selected by the member from a panel and held in trust by the Trustees. Persons who retired under the scheme are entitled to additional benefits that may arise under the FSSU Supplementation scheme. These additional benefits are unfunded and are paid direct to retired members by Court. Full provision has been made in the year for the actuarial valuation of the liabilities of this scheme.

There are no active members but the University has two retired members in receipt of FSSU supplementation retirement benefits.

Unfunded pensions

The University has a number of unfunded pensions which relate to the mergers with the Edinburgh College of Art and the Moray House School of Education and ex-gratia payments from the University. The value of these liabilities is £7.0 million (2018: £6.9 million). This comprises:

- Moray House School of Education and Edinburgh College of Art: £6.1 million (2018: £6.0 million)
- University of Edinburgh: £0.9 million (2018: £0.9 million).

Notes to the financial statements (continued)

31. Pension Schemes (continued)

Edinburgh University Staff Benefits Scheme (EUSBS)

The assets and liabilities of the EUSBS scheme were:

	Value at 31 July 2019 £m	Value at 31 July 2018 £m	Value at 31 July 2017 £m
Market value of assets:			
Equities	162.1	159.9	149.9
Debt	-	0.3	21.5
Property	37.1	37.7	36.2
Liability driven investments	81.7	56.9	23.5
Private equity and diversified growth funds	171.2	165.8	163.9
Cash	9.3	6.9	7.8
Total market value of assets	461.4	427.5	402.8
Present value of scheme liabilities	(582.3)	(482.1)	(548.4)
Deficit in the scheme - net pension liability	(120.9)	(54.6)	(145.6)

Lothian Pension Fund (LPF)

The University's share of assets in the LPF scheme were:

	Value at 31 July 2019 £m	Value at 31 July 2018 £m	Value at 31 July 2017 £m
Market value of assets:			
Equities	9.5	9.5	18.3
Bonds	14.6	11.4	2.8
Property	1.0	0.9	1.4
Cash	-	0.9	0.9
Total market value of assets	25.1	22.7	23.4
Present value of scheme liabilities			
Funded	(28.0)	(25.0)	(26.9)
Unfunded	(0.2)	(0.2)	(0.2)
Deficit in the scheme - net pension liability	(3.1)	(2.5)	(3.7)

Edinburgh University Staff Benefits Scheme (EUSBS)

The EUSBS is an externally-funded defined benefit scheme. The assets of EUSBS are held in a separate trustee-administered fund. The formal triennial actuarial valuation as at 31 March 2018 was finalised in June 2019 and the results have been used as the basis for the following valuation under FRS 102. As at 31 July 2019, the value of the assets in the scheme was £461.4 million (2018: £427.5 million) and the present value of the funded and unfunded benefits accrued was £582.3 million (2018: £482.1 million), leaving a shortfall of £120.9 million (2018: £54.6 million) included in the University pension liability.

Further information is available at: www.ed.ac.uk/schools-departments/finance/pensions/scheme-details/sbs.

Lothian Pension Fund (LPF)

Former members of the Edinburgh College of Art are members of the LPF scheme, which is an externally funded, multi-employer, defined benefits scheme from which pensions and other related benefits are paid. LPF is a pool into which employees' and employers' contributions and income from investments are paid, and from which previous and other related benefits are paid out, in accordance with the provisions of the Local Government Pension Scheme. The last full valuation was carried out at 31 March 2017 and the results have been rolled forward as the basis for the following valuation under FRS 102. As at 31 July 2019, the value of the University's assets in the LPF scheme was £25.1 million (2018: £22.7 million) and the present value of the funded and unfunded benefits accrued was £28.2 million (2018: £25.2 million), leaving a shortfall of £3.1 million (2018: £2.5 million) included in the University pension liability.

Further information on the scheme is available at: www.lpf.org.uk.

Notes to the financial statements (continued)

Strathclyde Pension Fund (SPF)

The University's share of assets in the SPF scheme were:

	Value at 31 July 2019 £m	Value at 31 July 2018 £m	Value at 31 July 2017 £m
Market value of assets:			
Equities	24.3	22.3	23.2
Bonds	9.0	7.7	4.6
Property	3.7	3.9	3.6
Cash	0.4	1.0	1.3
Total market value of assets	37.4	34.9	32.7
Present value of scheme liabilities:			
Funded	(31.6)	(29.8)	(32.7)
Unfunded	(0.4)	(0.5)	(0.5)
Surplus/(deficit) in the scheme - net pension asset/(liability)	5.4	4.6	(0.5)
Effect of asset cap on surplus	(5.4)	-	-
	-	4.6	(0.5)

Strathclyde Pension Fund (SPF)

Former members of the Moray House School of Education are members of the SPF pension scheme, which is an externally-funded, multi-employer, defined benefits scheme from which pensions and other related benefits are paid. SPF was, under the State Pension rules up to 5 April 2016, contracted out of the State Second Pension (S2P) scheme. From 6 April 2016, employees are no longer able to contract out of the S2P. SPF is a pool into which employees' and employers' contributions and income from investments are paid, and from which previous and other related benefits are paid out, in accordance with the provisions of the Local Government Pension Scheme. The last full valuation was carried out at 31 March 2017 and the results have been rolled forward as the basis for the following valuation under FRS 102.

As at 31 July 2019, the value of the University's assets in the SPF scheme was £37.4 million (2018: £34.9 million) and the value of the funded and unfunded benefits accrued was £32.0 million (2018: £30.3 million), leaving a surplus of £5.4 million (2018: £4.6 million surplus). We have determined that an asset cap is appropriate for the SPF and reduced the net pension asset to zero.

Further information on the scheme is available at: www.spfo.org.uk.

Notes to the financial statements (continued)

31. Pension Schemes (continued)

FRS 102 disclosures

The following amounts were measured in accordance with the requirements of FRS 102 in respect of EUSBS, SPF and LPF and have been recognised in these financial statements.

The unfunded liability associated with ex-gratia pensions is included for clarity.

	2019 £m	2018 £m
Analysis of the amount shown in the balance sheet for EUSBS, LPF and SPF pensions:		
Scheme assets	518.5	485.1
Scheme liabilities	642.5	537.7
Deficit in the schemes – net pension liability recorded within pension provisions (Note 20)	124.0	52.6
Unfunded ex gratia pension liability	7.0	6.9
Total provision for net liability	131.0	59.5
Current service cost	11.6	10.7
Past service costs	1.0	-
Total operating charge	12.6	10.7
Analysis of the amount charged to interest payable		
Interest cost	15.2	15.3
Expected return on assets	(13.8)	(11.6)
Net charge to other interest and other finance costs	1.4	3.7
Analysis of other comprehensive income:		
Gain on assets	(25.2)	(20.4)
Experience gain on liabilities	(0.1)	(25.2)
Past service loss/(credit) arising on change of pension increase assumption in the financial year	94.7	(54.6)
Total charge/(credit) to other comprehensive income before deduction for tax	69.4	(100.2)

Analysis of movement in deficit

	2019 £m	2018 £m
Deficit at beginning of year	52.5	150.0
Contributions or benefits paid by the University	(10.8)	(10.7)
Additional contributions paid by University*	(1.1)	(1.0)
Current service cost	11.6	10.7
Past service cost	1.0	-
Other finance charge	1.4	3.7
Loss/(gain) recognised in other comprehensive income	69.4	(100.2)
Deficit at end of year	124.0	52.5

*Actual contributions in the financial year 2018/19 are £10.8 million (2018: £10.7 million) based on the same member take up in the Salary Sacrifice arrangement.

Notes to the financial statements (continued)

Analysis of movement in the present value of liabilities

	2019 £m	2018 £m
Present value of liabilities at the start of the year	537.7	608.8
Current service cost	11.6	10.7
Interest cost	15.2	15.3
Past service cost recorded within other comprehensive income	1.0	-
Actual member contributions	0.5	0.5
Actuarial loss/(gain)	94.6	(79.8)
Actual benefit payments	(18.1)	(17.8)
Present value of liabilities at the end of the year	642.5	537.7

*Actual contributions in the financial year 2018/19 are £10.8 million (2018: £10.7 million) based on the same member take up in the Salary Sacrifice arrangement.

**An additional £1.06 million (2018: £1.03 million) recurrent contribution was made to the EUSBS in the year as part of a deficit recovery plan while the scheme is in deficit.

Analysis of movement in the fair value of scheme assets

	2019 £m	2018 £m
Fair value of assets at the start of the year	485.2	458.8
Expected return on assets	13.8	11.6
Actuarial gain on assets	25.2	20.4
Actual scheme contributions paid by University*	10.8	10.7
Additional contributions paid by University**	1.1	1.0
Actual member contributions	0.5	0.5
Actual benefit payments	(18.1)	(17.8)
Fair value of scheme assets at the end of the year	518.5	485.2

Actual return on scheme assets

	2019 £m	2018 £m
Expected return on scheme assets	13.8	11.6
Asset gain	25.2	20.4
	39.0	32.0

History of experience gains and losses

	2019	2018	2017	2016	2015
Difference between actual and expected return on scheme assets:					
Amount (£m)	25.2	20.4	30.3	29.7	21.5
% of assets at end of year	4.9%	4.2%	6.6%	7.1%	5.9%
Experience gains/(losses) on scheme liabilities:					
Amount (£m)	(94.6)	79.8	(35.5)	(71.1)	(24.7)
% of liabilities at end of year	(14.7%)	14.8%	(5.8%)	(12.8%)	(4.4%)

Notes to the financial statements (continued)

32. Financial Instruments

32. Financial Instruments		2019		2018	
	Note	Consolidated £m	University £m	Consolidated £m	University £m
Financial assets					
<i>Measured at fair value through profit and loss</i>					
Non-current investments	15	817.7	820.2	570.8	573.7
<i>Measured at amortised cost</i>					
Trade and other receivables	16	107.5	94.9	116.7	100.3
Investments in short term deposits	17	207.4	207.4	180.0	180.0
Amounts due from subsidiary companies	16	-	4.9	-	3.7
		1,132.6	1,127.4	867.5	857.7
Financial liabilities					
<i>Measured at amortised cost</i>					
Unsecured loans	18 & 19	594.4	594.4	383.8	383.8
Trade payables	18	42.0	38.5	40.1	37.7
Accruals and deferred income	18	276.1	269.4	254.2	248.4
Other long-term creditors	19	0.1	0.1	0.7	0.7
Finance lease liabilities	18 & 19	1.1	1.1	0.8	0.8
Amounts due to subsidiary companies	18	-	23.7	-	24.6
		913.7	927.2	679.6	696.0

Financial instruments

The financial statements have been prepared on the historical cost convention (modified by the revaluation of heritage asset and investments), except for certain financial assets and liabilities which are carried at fair value or amortised cost as appropriate.

Fair value measurements are, to the extent possible, based on quoted prices in active markets for identical assets or liabilities that the entity can access. Where quoted prices are not available the University, to the extent possible, uses observable market data for the asset or liability, either directly or indirectly. All other fair value measurements are based on unobservable inputs for the asset or liability. Further details are provided in the accounting policies.

33. Student Support Payments

	HE childcare £'000	HE discretionary undergraduate £'000	HE discretionary postgraduate £'000	HE other £'000	2019 Total £'000	2018 Total £'000
Balance at 1 August	-	-	-	-	-	-
Allocation received in year	286.0	809.0	205.0	5.0	1,305.0	1,301.0
Expenditure	(218.0)	(846.0)	(239.0)	(5.0)	(1,308.0)	(1,301.0)
Repaid to Scottish Government	-	-	-	-	-	(1.0)
Interest received	-	3.0	-	-	3.0	1.0
Virements	(68.0)	34.0	34.0	-	-	-
Balance at 31 July	-	-	-	-	-	-

Notes to the financial statements (continued)

34. Related Party Transactions

	Income £'000	Expenditure £'000	2019 Total £'000	Balance due at 31 July 2019 £'000
The British Library	-	28	28	-
Business Stream	-	21	21	-
Dynamic Earth Charitable Trust	-	64	64	(4)
Edinburgh International Festival Board	345	67	(278)	-
Edinburgh University Sports Union	334	711	377	22
Edinburgh University Students' Association	522	3,585	3,063	77
Epidarex	1	-	(1)	-
EUSACO Limited	-	269	269	(1)
Fios Genomics Ltd	3	15	12	3
ICAS	-	4	4	-
J Sainsbury's PLC	20	6	(14)	-
NGS Patrons	32	2	(30)	-
Pleasance Theatre Trust Ltd	294	6	(288)	41
Prudential	-	43,128	43,128	-
The Scottish Association for Marine Science	27	-	(27)	-
Scottish Water	26	98	72	-
	1,604	48,004	46,400	138

Court Members

The Court members are the trustees for charitable law purposes. Due to the nature of the University's operations and the compositions of Court, being drawn from local public and private sector organisations, it is inevitable that transactions will take place with organisations in which a member of Court may have an interest. 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 usual procurement procedures.

The University has taken advantage of the exemption allowed by FRS 102 not to disclose transactions between wholly owned group companies. Related party transactions with University spinout companies have not been disclosed as they are not material.

No Court member has received any remuneration nor waived payments from the group during the year (2018: nil).

The total expenses paid to or on behalf of four Court members was £3,087.66 (2018: £14,085.54). This represents travel and subsistence expenses incurred in attending Court and other Committee meetings in their official capacity.

The related party transaction between the University and the Prudential reflects the repayment of the loan held with the Prudential including any loan break costs and interest paid in year. The Vice-Convener of Court was a member of the Prudential plc Board until August 2018 but was not a member of the Prudential nor a member of the University Court at the time the loan was granted in 2000.

Five-year summary (unaudited)

FRS 102

CONSOLIDATED STATEMENT OF COMPREHENSIVE
INCOME AND EXPENDITURE
FOR THE YEAR TO 31 JULY

	2019 £m	2018 £m	2017 £m	2016 £m	2015 £m
Income					
Tuition fees and education contracts					
Home and EU higher education students	124.5	119.7	109.1	102.7	88.0
Non-EU fees	198.5	168.1	150.3	131.5	115.1
Education grants	23.8	24.2	19.1	20.9	18.7
Total tuition fees	346.8	312.0	278.5	255.1	221.8
Funding body grants					
Recurrent teaching grant	64.5	65.6	64.6	67.7	72.5
Recurrent research grant	90.2	85.4	89.2	92.4	100.9
Specific grants	41.1	35.7	38.1	34.5	25.5
Total funding body grants	195.8	186.7	191.9	194.6	198.9
Research grants and contracts					
Research councils	113.9	116.3	117.6	121.1	114.8
UK based charities	65.5	59.4	58.1	49.7	46.1
UK central government bodies, local and health authorities	30.2	30.3	26.3	22.8	17.4
UK industry, commerce and public corporations	8.8	9.6	7.8	8.4	7.5
EU government bodies	36.4	36.2	31.8	29.6	26.4
EU other	3.9	4.4	3.4	2.9	2.9
Other overseas	20.8	16.1	11.1	8.0	7.2
Other sources	6.2	7.4	9.2	11.3	8.8
Total research grants and contracts (excluding RDEC)	285.7	279.7	265.3	253.8	231.1
Other income					
Residences, catering and conferences	79.2	71.6	67.9	62.8	54.6
Specific grants, donations and other designated income	120.5	62.5	30.8	32.5	33.9
General income	34.4	34.3	58.2	65.9	57.3
Total other income	234.1	168.4	156.9	161.3	145.7
Investment income					
Income from expendable endowments	6.2	5.9	5.7	6.2	6.7
Income from permanent endowments	3.0	2.9	2.8	3.0	3.8
Other investment income	3.2	3.0	2.6	1.0	0.5
Other interest receivable	5.0	2.7	3.4	3.1	3.6
Total investment income	17.4	14.5	14.5	13.3	14.6
Total income before endowments and donations	1,079.8	961.3	907.0	878.0	812.1
Donations and endowments					
New endowments	8.1	1.4	1.7	4.4	2.0
Donations with restrictions	11.5	19.6	16.2	5.6	10.4
Unrestricted donations	2.2	2.1	4.0	1.5	-
Total donations and endowments	21.8	23.1	21.9	11.4	12.4
Total income	1,101.6	984.4	929.0	889.5	824.5

Five-year summary (unaudited) (continued)

FRS 102

CONSOLIDATED STATEMENT OF COMPREHENSIVE
INCOME AND EXPENDITURE
FOR THE YEAR TO 31 JULY

	2019 £m	2018 £m	2017 £m	2016 £m	2015 £m
Expenditure					
Staff costs					
Salaries and wages	409.8	385.8	367.0	354.6	342.7
Social security costs	43.3	40.8	37.1	30.1	27.4
Pension costs	103.8	92.8	91.3	81.0	75.4
Movement on USS provision	195.2	(0.7)	(4.9)	10.0	46.5
Other unfunded pension costs	0.1	-	0.1	0.1	0.8
Severance costs	4.0	2.7	2.0	2.1	1.5
Total staff costs	756.2	521.4	492.6	477.9	494.3
Other operating expenses					
Academic and related expenditure	84.4	75.4	66.6	63.6	61.9
Scholarships and stipends	38.3	33.0	31.6	29.9	25.8
Research grants and contracts	107.3	104.8	96.6	96.5	79.7
Library, computer and other academic support services	14.7	16.1	15.7	11.8	9.9
Administration and central services	25.4	20.9	21.5	20.4	17.9
Refurbishment and maintenance	23.8	24.1	16.2	16.9	21.3
Utilities costs	18.1	17.2	16.9	17.2	21.4
Other premises costs	12.0	12.1	9.7	11.3	8.2
Other including income generating operations	14.2	16.1	9.9	13.8	13.9
Residences and catering operations	44.9	39.0	34.3	31.7	31.0
Total other operating expenses	383.1	358.7	319.0	313.1	291.0
Depreciation	63.8	60.2	46.7	40.3	34.2
Interest and other finance costs	33.0	16.8	14.5	12.7	11.1
Total expenditure	1,236.1	957.1	872.8	844.0	830.6
(Deficit)/surplus before other gains and losses	(134.5)	27.3	56.2	45.5	(6.1)
Exceptional items (RDEC)	-	-	-	19.0	21.9
Tax and minority interest	0.1	-	-	(3.9)	(5.0)
Gain on disposal of fixed assets	4.6	0.2	8.0	0.5	-
Gain on investments	36.8	42.4	66.2	28.9	15.9
(Deficit)/surplus for the year	(93.0)	69.9	130.4	90.0	26.7
Unrealised surplus on revaluation of heritage assets	0.8	-	-	7.2	29.4
Actuarial (loss)/gain in respect of pension schemes	(70.0)	101.0	(5.1)	(41.1)	(3.2)
Total comprehensive (expenditure)/income for the year	(162.2)	170.9	125.3	56.2	52.9

Five-year summary (unaudited) (continued)

FRS 102

CONSOLIDATED BALANCE SHEET AT 31 JULY

	2019 £m	2018 £m	2017 £m	2016 £m	2015 £m
Fixed assets	1,818.5	1,741.1	1,617.0	1,493.0	1,399.0
Heritage assets	213.9	212.8	212.0	212.0	205.0
	2,032.4	1,953.9	1,829.0	1,705.0	1,604.0
Investments	817.7	570.8	531.0	471.0	327.0
Current assets	587.8	552.3	571.0	531.0	495.0
Total assets	3,437.9	3,077.0	2,931.0	2,707.0	2,426.0
Less current liabilities	(345.3)	(310.5)	(305.0)	(276.0)	(253.0)
Total assets less current liabilities	3,092.6	2,766.5	2,626.0	2,431.0	2,173.0
Non-current liabilities	(605.0)	(386.4)	(319.0)	(257.0)	(93.0)
Pension provisions	(433.0)	(163.3)	(261.0)	(254.0)	(216.0)
TOTAL NET ASSETS	2,054.6	2,216.8	2,046.0	1,920.0	1,864.0
Represented by:					
Restricted reserves	505.4	481.0	440.0	383.0	350.0
Unrestricted reserves	1,549.2	1,735.8	1,606.0	1,537.0	1,514.0
TOTAL FUNDS	2,054.6	2,216.8	2,046.0	1,920.0	1,864.0

Five-year summary (unaudited) (continued)

		2019	2018	2017	2016	2015
Liquidity measures						
Liquidity ratio ([current assets - stock] / current liabilities)	x	1.7	1.8	1.9	1.9	2.0
<i>Extent to which current liabilities can be met from cash and liquid investments</i>						
Days ratio of cash to total expenditure (investments + cash at bank - overdraft) / (total expenditure - depreciation)*365	Days	139	169	197	179	167
<i>The number of days expenditure that could be sustained from available funds</i>						
Solvency measures						
Interest cover (earnings before interest and tax / interest payable)	x	(3.1)	2.6	3.9	5.1	1.4
<i>Measures the ability to pay interest on outstanding debt</i>						
Interest cover (operating cash flow/ interest payable)	x	1.9	3.3	6.7	6.7	5.7
<i>Measures how easily the University can pay outstanding debt in cash terms</i>						
Gearing (creditors > 1 year / endowment + general reserves including pension reserve)	%	34%	20%	18%	24%	11%
<i>Measures the extent to which the University is funded by long-term debt</i>						
Operating performance						
(Deficit)/surplus before other gains and losses	%	(12.2)%	2.8%	6.1%	6.8%	(0.7)%
<i>Measures the ability to deliver surpluses</i>						
ROCE (EBITDA/[total assets - pension provisions])		2.4%	2.5%	3.0%	4.6%	2.1%
<i>Measures the return that is being earned on capital invested</i>						
EBITDA for HE (FRS102 surplus/(deficit) before other gains/losses + interest payable + depreciation + change to pension provisions within staff costs - capital grants received - new permanent endowments)	£m	67.8	60	69	92	43
EBITDA (historic cost surplus for year + depreciation + amortisation + interest payable + tax charges - release of deferred capital grants - exceptional items + FRS staff charges)	£m	n/a	n/a	n/a	n/a	n/a
<i>Measures operating performance before local decisions on accounting and finance policies are taken into account</i>						

Five-year summary (unaudited) (continued)

FRS 102

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME AND EXPENDITURE FOR THE YEAR TO 31 JULY

	2019 % total	2018 % total	2017 % total	2016 % total	2015 % total
Income					
Tuition fees and education contracts					
Home and EU higher education students	11.3%	12.2%	11.7%	11.5%	10.7%
Non-EU fees	18.0%	17.1%	16.2%	14.8%	14.0%
Education grants	2.2%	2.5%	2.1%	2.3%	2.2%
Tuition fees as % of total income	31.5%	31.8%	30.0%	28.6%	26.9%
Funding body grants					
Recurrent teaching grant	5.9%	6.7%	7.0%	7.6%	8.8%
Recurrent research grant	8.2%	8.7%	9.6%	10.4%	12.2%
Specific grants	3.7%	3.6%	4.1%	3.9%	3.1%
Funding body grants as % of total income	17.8%	19.0%	20.7%	21.9%	24.1%
Research grants and contracts					
Research councils	10.3%	11.8%	12.7%	13.6%	13.9%
UK based charities	5.9%	6.0%	6.3%	5.6%	5.6%
UK central government bodies, local and health authorities	2.7%	3.1%	2.8%	2.6%	2.1%
UK industry, commerce and public corporations	0.8%	1.0%	0.8%	0.9%	0.9%
EU government bodies	3.3%	3.7%	3.4%	3.3%	3.2%
EU other	0.4%	0.4%	0.4%	0.3%	0.3%
Other overseas	1.9%	1.6%	1.2%	0.9%	0.9%
Other sources	0.6%	0.8%	1.0%	1.3%	1.1%
Research grants and contracts as % of total income	25.9%	28.4%	28.6%	28.5%	28.0%
Other income					
Residences, catering and conferences	7.2%	7.3%	7.3%	7.1%	6.7%
Specific grants, donations and other designated income	11.0%	6.3%	3.3%	3.7%	4.1%
General income	3.1%	3.5%	6.3%	7.4%	6.9%
Other income as % of total income	21.3%	17.1%	16.9%	18.2%	17.7%
Investment income					
Income from expendable endowments	0.6%	0.6%	0.6%	0.7%	0.8%
Income from permanent endowments	0.3%	0.3%	0.3%	0.3%	0.5%
Other investment income	0.3%	0.3%	0.3%	0.2%	0.1%
Other interest receivable	0.4%	0.3%	0.4%	0.3%	0.4%
Net return on pension scheme assets					
Total investment income as % of total income	1.6%	1.5%	1.6%	1.5%	1.8%
Total income before endowments and donations as % of total income	98.1%	97.8%	97.8%	98.7%	98.5%
Donations and endowments					
New endowments	0.7%	0.1%	0.2%	0.5%	0.2%
Donations with restrictions	1.0%	1.9%	1.6%	0.6%	1.3%
Unrestricted donations	0.2%	0.2%	0.4%	0.2%	0.0%
Total donations and endowments as % of total income	1.9%	2.2%	2.2%	1.3%	1.5%
Total income £m	1,101.6	984.4	929.0	889.5	824.5

Five-year summary (unaudited) (continued)

FRS 102

CONSOLIDATED STATEMENT OF COMPREHENSIVE
INCOME AND EXPENDITURE
FOR THE YEAR TO 31 JULY

	2019 % total	2018 % total	2017 % total	2016 % total	2015 % total
Expenditure					
Staff costs					
Salaries and wages	33.2%	40.3%	42.0%	42.0%	41.2%
Social security costs	3.5%	4.3%	4.3%	3.6%	3.3%
Pension costs	8.4%	9.7%	10.5%	9.6%	9.1%
Movement on USS provision	15.8%	(0.1%)	(0.6%)	1.2%	5.6%
Other unfunded pension costs	0.0%	0.0%	0.0%	0.0%	0.1%
Severance costs	0.3%	0.3%	0.2%	0.2%	0.2%
Staff costs as % of total expenditure	61.2%	54.5%	56.4%	56.6%	59.5%
Other operating expenses					
Academic and related expenditure	6.7%	7.8%	7.6%	7.7%	7.4%
Scholarships and stipends	3.1%	3.4%	3.6%	3.5%	3.1%
Research grants and contracts	8.7%	10.9%	11.1%	11.4%	9.6%
Library, computer and other academic support services	1.2%	1.7%	1.8%	1.4%	1.2%
Administration and central services	2.1%	2.2%	2.5%	2.4%	2.2%
Refurbishment and maintenance	1.9%	2.5%	1.9%	2.0%	2.6%
Utilities costs	1.5%	1.8%	1.9%	2.0%	2.6%
Other premises costs	1.0%	1.3%	1.1%	1.3%	1.0%
Other including income generating operations	1.1%	1.7%	1.1%	1.6%	1.7%
Residences and catering operations	3.6%	4.1%	3.9%	3.8%	3.7%
Other operating expenses as % of total expenditure	30.9%	37.4%	36.5%	37.1%	35.1%
Depreciation as % of total expenditure	5.2%	6.3%	5.4%	4.8%	4.1%
Interest payable as % of total expenditure	2.7%	1.8%	1.7%	1.5%	1.3%
Total expenditure £m	1,236.1	957.1	872.8	844.0	830.6
Expenditure as % of total income	112.2%	97.2%	94.0%	94.9%	100.7%

Notes



**£1.4
billion**
investment
in Estates

15,427

University of
Edinburgh
staff



Disposable cup
usage down by

37%



750,000

views of
lecture
recordings



Famous alumni
Katherine Grainger

Team GB's most decorated
female Olympian



14 electric vehicles
operated in Estates

Founded in

1582



£1.4 billion

investment through
University's capital
programme in next
10 years

What makes us Edinburgh

Our scale and ambitions for growth, our people, and the city of Edinburgh provide a unique context for the University.

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