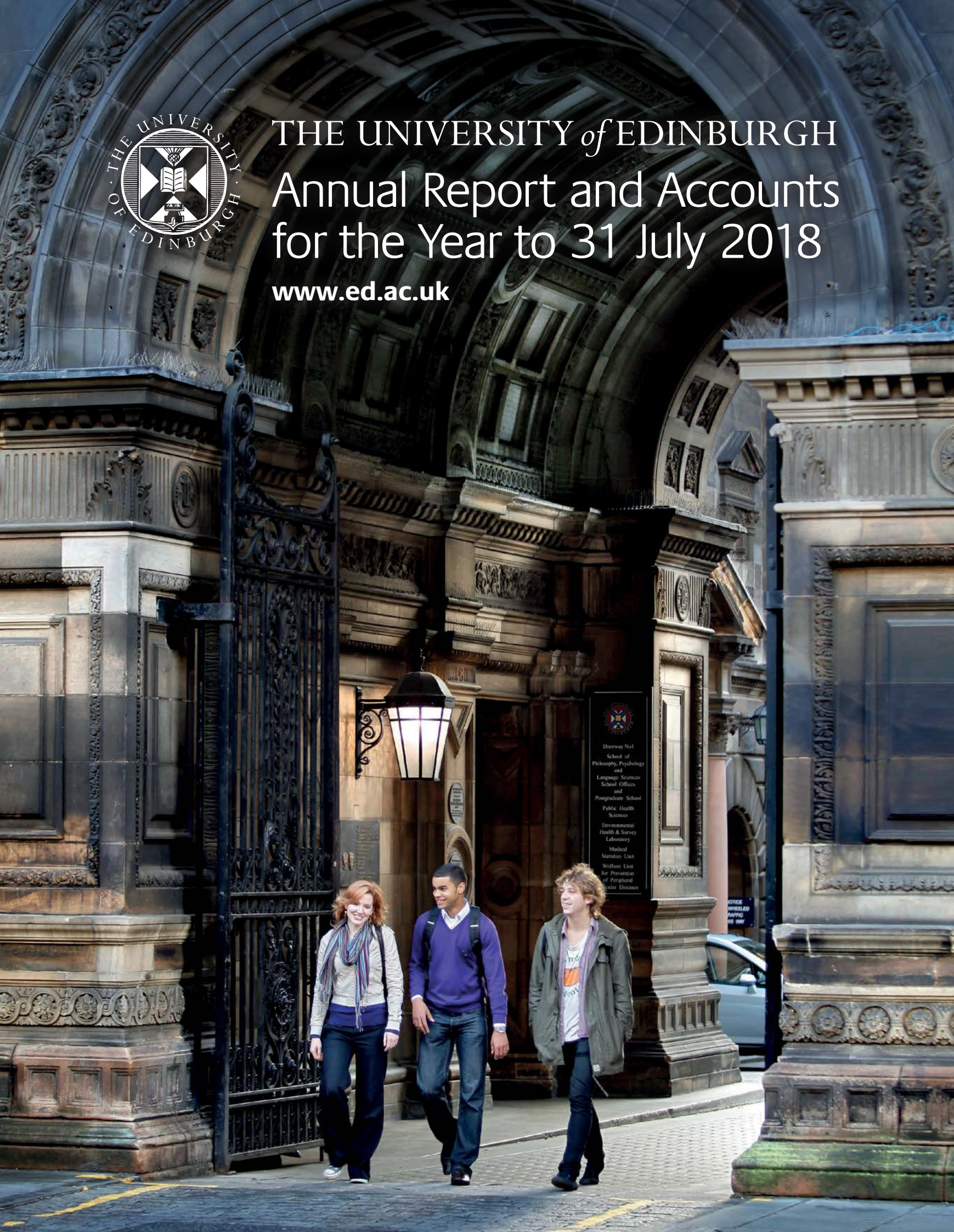




THE UNIVERSITY *of* EDINBURGH

Annual Report and Accounts for the Year to 31 July 2018

www.ed.ac.uk



Our vision

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.

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The University of Edinburgh at a glance

Our strategic objectives

Leadership in learning

We equip students with the knowledge, skills and experience to flourish in a complex world and become successful graduates who contribute to society.



Leadership in research

As a major, comprehensive university, we conduct research of the highest standard across a broad spectrum of disciplines.



94.9%

Our percentage of graduates from undergraduate programmes in employment or further study six month after graduating is 94.9%.*

*Source: HESA Destination of Leavers of Higher Education survey, published June 2017

University world league table position*

| | |
|-----|------|
| QS | 18th |
| THE | 29th |

*Sources: QS World University Rankings 2017/18 and Times Higher Education World University Rankings 2017/18

7%

The total value of research projects awarded to the university in 2017/18 increased by seven per cent in year.

Total research income (£m)*

| | |
|---------|-----|
| 2017/18 | 280 |
| 2016/17 | 265 |
| 2015/16 | 254 |
| 2014/15 | 231 |
| 2013/14 | 216 |

*Excluding exceptional items.

Highlights of 2018

Total revenue (£m)*

| | |
|------|-----|
| 2018 | 984 |
| 2017 | 929 |
| 2016 | 889 |
| 2015 | 825 |
| 2014 | 781 |

Student numbers including Online Distance Learning

| | |
|------|--------|
| 2018 | 41,312 |
| 2017 | 39,575 |
| 2016 | 37,510 |
| 2015 | 35,255 |
| 2014 | 33,110 |

Endowment fund value (£m)

| | |
|------|-----|
| 2018 | 424 |
| 2017 | 392 |
| 2016 | 343 |
| 2015 | 315 |
| 2014 | 295 |

Capital expenditure (£m)

| | |
|------|-----|
| 2018 | 186 |
| 2017 | 188 |
| 2016 | 136 |
| 2015 | 96 |

SIMD 20 student entrants**

| | |
|------|-----|
| 2018 | 195 |
| 2017 | 162 |
| 2016 | 131 |
| 2015 | 121 |

5.9%

Total Revenue grew by 5.9 per cent year on year.

£404m

Total research grant awards in 2017/18.

45%

The proportion of the University's students from outside the UK was 45 per cent in 2017/18.

9.8%

The University's annual return on its endowment fund was 9.8 per cent.

£1.3bn

The University's capital programme will see £1.3 billion capital investment in the next ten years.

20.4%

Increase in SIMD20 entrants to session 2018/19, compared to session 2017/18.

*Excluding exceptional items

**applicants accepted from the Scottish Index of Multiple Deprivation 20 per cent most deprived postcodes shown by year of recruitment.

Our approach to reporting

We continue to develop our approach to Integrated Reporting.

In the 2017/18 Annual Report and Accounts, we have focused on the value created by the University for its stakeholders, through the framework of Integrated Reporting.

Our value model explains how we draw on multiple capitals 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.

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.

Various forms of capital determine the value of the university:

- People
- Knowledge
- Networks and Relationships
- Natural Resources

The value created by each of these capitals 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.

<http://integratedreporting.org/the-iirc-2/>

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

Phil McNaul

Finance Director,
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 meaningful 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 77 per cent (2016/17: 83 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-Chancellor of Court's introduction on page 5, included in the Strategic Plan performance framework on page 10, the Risk Register on pages 16 and 17 and pages 27 and 28 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

The Higher Education Sector is currently facing a major challenge in funding its University Superannuation Scheme (USS). The valuation as at 31 March 2017 has not yet been concluded and the statutory deadline of 30 June 2018 has been extended by the Pensions Regulator. Proposals are currently being reviewed with an expectation that agreement will be reached and the valuation will be concluded by early 2019.

This is covered in note 31 of the Financial Statements on pages 79 to 85 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 25 of the Operational Review as well as in the Finance Director's Foreword on page 32.

Details of the City Region Deal can be found in the case study on page 7 and www.acceleratinggrowth.org.uk.

Political uncertainty

We are concerned that Brexit 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 £1.3 billion programme of new buildings and refurbishment of the existing physical estate. The physical estate is one of our key capitals 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.

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.

Innovation in teaching

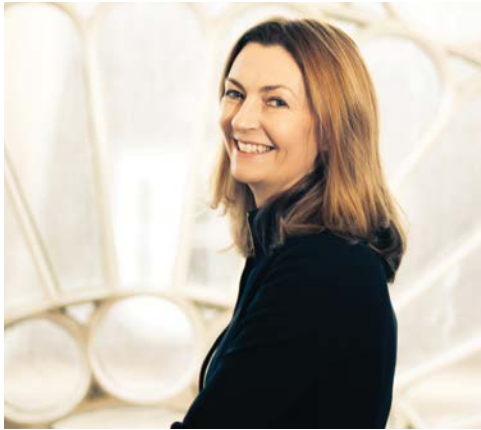
The Edinburgh Q-Step Centre, one of 15 prestigious centres across the UK funded by the Nuffield Foundation, the Economic and Social Research Council (ESRC) and the Higher Education Funding Council for England (HEFCE), continues to develop exciting new degree programmes to address the shortage of quantitative skills among social science graduates in the UK. The M.A. in Government, Policy and Society with Quantitative methods was launched in 2017/18, and complements the four other successful Q-Step degree programmes already offered by the centre.

Students joining this new degree will be able to access highly-regarded work placement opportunities in their third year with organisations such as the Scottish Government, Scotcen and IPSOS MORI. They will join the thriving Q-Soc society that creates a vibrant and supportive atmosphere among Q-Step students offering access to research seminars, peer-to-peer study support and regular social events. As the centre enters its fifth year of funding, the 2016/17 Chancellors award for teaching, awarded to founding director Alison Koslowski, is excellent recognition of the strong foundations and successes of the centre.

To find out more about Edinburgh Q-Step Centre, please visit: <http://www.q-step.ed.ac.uk>



Vice-Convener of Court's introduction



Anne Richards
Vice-Convener of Court

This year's Annual Report and Accounts once again highlights the many ways in which the University of Edinburgh is realising its goal of making a significant, sustainable and socially responsible contribution to the world, and I am delighted to report another year of progress.

In February 2018 the University welcomed Professor Peter Mathieson as Principal and Vice-Chancellor. Peter joins the University after serving as Vice-Chancellor and President of the University of Hong Kong (HKU) since April 2014. Prior to his work in Hong Kong, Peter was Dean of the Faculty of Medicine and Dentistry at the University of Bristol for six years. Since taking up office at Edinburgh he has set out a clear direction for his plans to strengthen the University's world-class reputation, focusing on excellence in teaching and delivering on its new strategy around widening participation. On behalf of all staff and students, I would like to warmly welcome Peter to the University.

The latest league tables have reaffirmed Edinburgh's position as a leading global institution. The annual QS World University Rankings has placed the University 18th in the world, fifth in the UK, and once again as the highest in Scotland. Edinburgh was also ranked 24th in the world for academic reputation. This is testament to the breadth and scope of expertise in our intellectual community.

Within the University community there is unanimous agreement that we need to address the issue of the student experience at Edinburgh, which remains one of our highest strategic priorities. In the most recent National Student Survey results, Edinburgh's overall student satisfaction has fallen from 83 per cent to 77 per cent. These results are despite huge efforts made by staff across the University to tackle the issues our students have raised. We are committed to ensuring that this feedback leads to positive change, and to making short-term and longer-term improvements to the Edinburgh experience with an institution-wide approach. An £82 million expansion and redevelopment of the University Union at Teviot Row to create a new Student Centre has begun. This centre will give students access to all the services they need under one roof, helping them to get the most out of their time with us.

The Teviot Row redevelopment is part of the wider estates strategy, which envisages spend of some £1.3bn over ten years, to create world leading facilities across the University. As part of the funding for this ambitious programme, we used our balance sheet strength to raise £250m of external debt through a private placement programme,

taking the opportunity to refinance expensive existing debt at the same time. We assess our risk appetite on the basis of regular reviews, and improvements in our cash forecasting and budgeting process gave us the confidence to make changes to our risk appetite to allow for a lower operating surplus, increased level of debt and lower interest cover as we invest for the future.

The University of Edinburgh is proud of the diverse make-up of students and staff who come from across the world to study and work here. We have students from more than 160 countries, many within Europe. We know that leaving the EU creates uncertainty for our non-UK, EU students and staff, but we remain positive and are working to maintain strong relations with our European partners. Over the past 12 months we have retained access to EU research funding and, most importantly, have sought to reassure students and staff and continued to attract the best people from across Europe. At Edinburgh we know that our global community – and the partnerships we create – is key to our success.

So too is our student body. Higher education should be accessible to everyone and, for the second year running, Edinburgh will reserve degree places for talented and well qualified applicants who reside in areas of disadvantage in Scotland. Our new Widening Participation strategy will increase social diversity in the student population and widen access to higher education.

It is vital that the University engages with the wider community and benefits those who do not study here, and in the past year we have seen the development of a Community Grant Scheme which has awarded over £90,000 to community organisations. The grants scheme aims to develop partnerships between the local community and the University and is part of our key strategic aim to 'contribute locally'.

At the same time, our vision is global. The University has an established track record in world-leading research that addresses some of the most pressing global challenges. We will continue to be ambitious and pioneering to meet these challenges and the opportunities of the future. We now aim to replicate that boldness in how we improve the quality of life for our student population who deserve the very best that Edinburgh has to offer.

I'd like to take this opportunity to thank all the students and staff who help to make the University a place of rigour and excellence. Our vision is far-reaching: to deliver impact for society. This past year has shown, through the economic, social and cultural benefits that flow from its teaching and research, the University of Edinburgh remains one of the world's leading educational institutions.

“...focusing on excellence in teaching and delivering on its new strategy around widening participation.”

Principal's welcome



P. W. Mathieson

Professor Peter Mathieson
Principal and Vice-Chancellor

I am delighted to take the opportunity to reflect on a challenging, yet hugely exciting, year for this great university, and to thank everyone who has made me feel so welcome since taking up my post in February. I am grateful that I have been left such a strong legacy on which to build during what is an exhilarating and demanding period for higher education in the UK.

Our main objective will always be to conduct world-class teaching and research, but there are so many areas for consideration – how we ensure this magnificent institution remains globally relevant, how we widen access to the University, how we work most productively with our partners and neighbours in this wonderful city. We recognise that we have much work to do on improving student satisfaction.

The excellence of our research is widely recognised and the excellence of our teaching should match this. I was therefore very pleased that the University held its first conference on learning and teaching in June, welcoming keynote speakers from Hong Kong and Sweden, who offered fresh perspectives on changing teaching cultures.

This vibrant event featured presentations by more than 60 of our students and staff. Their themes were diverse: enhancing engagement and creating community; an inclusive curriculum; research-led teaching; digital education; assessment and feedback; and preparing our graduates for the future.

Such forward thinking reflects our long history of pioneering approaches to learning and we want to ensure that students from across the social spectrum are able to experience this. We are alert to the challenges. Widening Participation remains a key priority and we have begun a range of initiatives to support this. We continue to work to make sure that young people from all backgrounds are aware of our commitment, and of the choices available to them.

In 2017/18, we admitted more than eight per cent of our Scottish-domiciled entrants from SIMD20 areas – the least advantaged 20 per cent of postcodes. This is an all-time high for the University and it demonstrates the promising progress towards our aims.

The launch of our new Widening Participation strategy seeks to build on this success and underpins our belief that attracting students from a range of social, cultural and educational backgrounds enriches the educational experience for all.

The opening in June of a pioneering centre that will equip young people with highly prized digital skills is further evidence of our intent. Based in Newbattle Community High School in Midlothian, this new Digital Centre of Excellence will focus on burgeoning disciplines such as robotics, data science, informatics, digital marketing, graphic design, video and music production.

Working in partnership with Midlothian Council – as well as businesses, colleges and other universities – we will strive to

ensure these opportunities are available to all. We will seek to develop skills and improve employability among less advantaged groups, and to work with employers to facilitate this and promote gender balance in the technology sector.

Activities will be closely aligned with a Data-Driven Innovation Programme, led by the University, which is a key element of the Edinburgh and South East Scotland City Region Deal.

As a civic university, we are excited about making a long-lasting contribution to the economic and social development of the region; as a global institution too, we are deeply committed to strengthening the collaborative nature of our relationship with researchers and teachers across Europe as well as the wider world.

I travelled to Brussels in March to set out our ambitions to be part of the latest EU funding programme, post-Brexit. Such an aspiration makes sense. Since January, we have signed 31 Grant Agreements with the European Commission with a total value of around €14 million. We have also been awarded a €4.7 million COFUND fellowship scheme, which is part-funded by the University and the EC.

Our links with European universities remain strong through Universitas 21, the Coimbra Group and the League of European Research Universities (LERU), whose Rectors' Assembly we hosted in May, when we also joined the Network of Universities from the Capitals of Europe (UNICA).

Our University is a truly international community. Students from overseas represent 50 per cent of our total community, coming from 160 countries, while 33 per cent of our staff are from 105 nations.

We see the benefits of collaboration across borders. We are working hard to reassure all EU nationals on campus who have concerns about Brexit. No matter how events play out, we will continue to be firmly embedded in all those forms of exchange of people, and the ideas they carry, which help universities such as ours – and indeed our city – to flourish. Our horizons extend well beyond Europe: we have growing aims and ambitions in Asia and Africa. Although anti-globalisation sentiment is prevalent these days, we remain resolutely global in our outlook.

As our Finance Director, Phil McNaul prepares for his retirement from the University, I would like to take this opportunity to thank him for his hard work and commitment to the University during his time here, and to wish him the very best for the future.



City Region Deal

In summer 2018, UK Prime Minister Theresa May and Scottish First Minister Nicola Sturgeon visited the University to formally agree the Edinburgh and South East Scotland City Region Deal.

This investment is designed to accelerate productivity and inclusive growth through the funding of infrastructure, skills training and innovation. The University of Edinburgh and Heriot-Watt University are partnering to deliver the City Region Deal's data-driven innovation component, which aims to increase the contribution of research, data analytics expertise, and graduate skills to the region's economy.

Over the next decade, five data innovation hubs at the University – the Bayes Centre, Edinburgh Futures Institute, Usher Institute, Easter Bush and with Heriot-Watt University, the National Robotarium – will use high-speed data analytics to meet industry and societal challenges. The UK and Scottish Governments, as well as regional partners are investing in the City region over 10 years across transport, housing, culture, skills and employability and innovation.

The regional partners include the six local authorities of Edinburgh, Midlothian, East Lothian, West Lothian, Fife and the Scottish Borders, plus universities and colleges in the region. To find out more please visit:
<http://www.acceleratinggrowth.org.uk>

Strategy and value model



Our strategy

Vision

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.

Mission

We discover, develop and share knowledge.

As a centre of academic excellence we aim to:

- provide the highest quality research-led teaching and learning;
- challenge the boundaries of knowledge, research and disciplines;
- enable our graduates and staff to be exceptional individuals equipped to address global challenges;
- promote good health, economic growth, cultural understanding and social wellbeing.

Strategic objectives

Leadership in learning

We equip students with the knowledge, skills and experiences to flourish in a complex world and become successful graduates who contribute to society.

Leadership in research

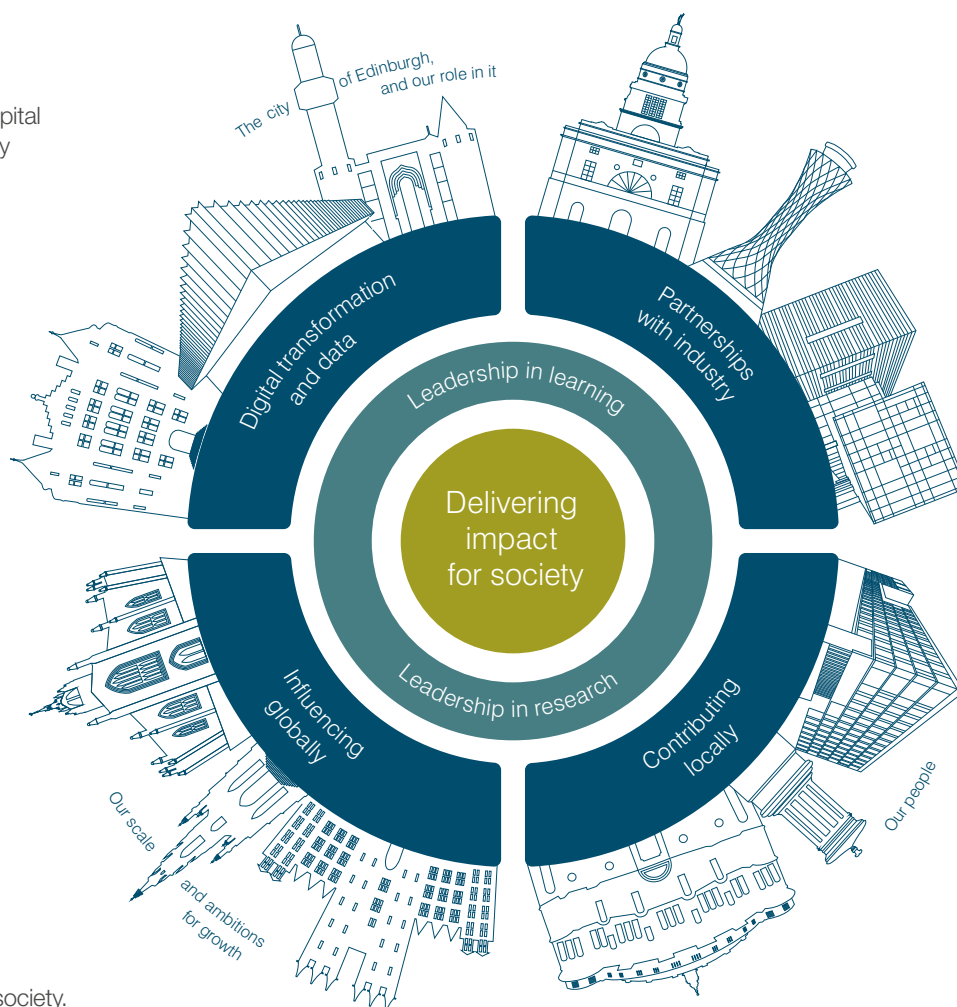
As a major, comprehensive university we conduct research of the highest standard across a broad spectrum of disciplines. In the Research Excellence Framework assessment in 2014, we were fourth in the UK by research power and in the top five in most individual subjects.

Development themes

Our development themes give an overview of key areas for development over the period of our Strategic Plan. The development themes do not include everything we will focus on; rather they are the key areas for change. They demonstrate how we will succeed in achieving our goals.

The development themes are:

- Influencing globally
- Contributing locally
- Partnerships with industry
- Digital transformation and data



Our structure

The University is organised into three Colleges, three Professional Services Groups and a Corporate Group which includes 14 subsidiary companies.

| 2017/18 | Staff numbers | Student numbers | Expenditure £m |
|---|---------------|-----------------|----------------|
| College of Arts, Humanities & Social Sciences | 3,437 | 24,201 | 164 |
| College of Medicine & Veterinary Medicine | 3,180 | 6,721 | 246 |
| College of Science & Engineering | 3,080 | 10,390 | 204 |
| Corporate Services Group | 3,481 | - | 151 |
| Information Services Group | 734 | - | 47 |
| University Secretary's Group | 945 | - | 58 |
| Corporate Group | 160 | - | 87 |
| TOTAL | 15,017 | 41,312 | 957 |

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.

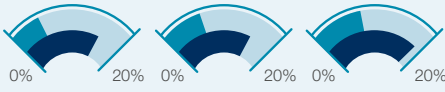
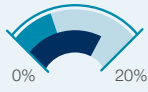
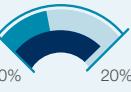
✓ - achieved/on track 👁 - strong or improving position but needs attention ⚠ - progress needed

| Leadership in learning | | Baseline 2015/16 | Year 1 2016/17 | Year 2 2017/18 | Attention | Notes |
|---|--|-----------------------------------|-------------------|-------------------|-----------|--|
| Student satisfaction | National Student Survey | | | | ⚠ | The NSS performance in 2017/18 was disappointing given improvement in the previous year and significant effort to address. An action plan is in development focused on our culture and how teaching is demonstrably valued as well as support arrangements for students. |
| | Postgraduate Taught Experience Survey (PTES) | | | | ⚠ | The student experience action plan will address all taught students. PTES results were particularly impacted by the industrial action in 2018. |
| | Postgraduate Research Experience Survey (PRES) | 81% Target - Maintain position | | | | This survey is conducted every two years. |
| Graduates in graduate level employment or further study 6 months after graduation | Undergraduate | 78% | 80% | | 👁 | Though seeing improvements, 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 will be revised next year to focus on 15 months post graduation rather than six months. Data for 2017/18 will not be available until 2020. |
| | Postgraduate Taught | 81% | 83% | | ✓ | |
| | Postgraduate Research | 93% | 90% | | 👁 | |

| Leadership in research | | Baseline 2015/16 | Year 1 2016/17 | Year 2 2017/18 | Attention | Notes |
|--|--|---|-------------------|-------------------|-----------|---|
| Research performance in the UK context | Research income per academic staff member (£) | | | | 👁 | Our research income has continued to grow but has been balanced by growth in academic staff; including significant investment in Chancellor's Fellows. |
| Research performance in the UK context | Research publication quality based on citations | 7th | 6th | | ✓ | Measure indicates continued strength in our quality of research - based in field weighted citation impact using SciVal.* * SciVal is a research performance benchmarking tool using publication metrics. |
| | Doctoral degrees awarded per academic staff member | | | | ⚠ | Number of doctoral degrees per member of academic staff is unchanged against upper quartile of 0.54. *Russell Group of Universities upper quartile |
| Research performance in the UK context | REF 2021 Performance | Preparations are underway for a high quality inclusive submission. 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 | | Baseline 2015/16 | Year 1 2016/17 | Year 2 2017/18 | Attention | Notes |
|--|--|-----------------------------|-----------------------------|-----------------------------|-----------|---|
| Financial sustainability | Interest cover | 6.1 Target - minimum 2.0 | 4.3 Target - minimum 2.0 | 2.6 Target - minimum 2.0 | ✓ | The reduction reflects more efficient use of balance sheet gearing capacity |
| | Operating surplus as % of total income | 7.1% Target - range 3-5% | 5.9% Target - range 3-5% | 2.8% Target - range 3-5% | 👁 | Reduced following a period of investment |
| Annual carbon emissions | Absolute carbon emissions (TCO2) | 90,500 | 92,527 | 87,985 | ✓ | See Operational Review page 26 |
| | Relative carbon emissions (TCO2/£m) | 100 | 99.6 | 89.4 | ✓ | See Operational Review page 27 |

Our strategy (continued)

| Our People | | Baseline 2015/16 | Year 1 2016/17 | Year 2 2017/18 | Attention | Notes |
|--|--|---|--|---|-----------|---|
| Student population characteristics | % full time, Scottish undergraduate entrants from MD20 and MD40 categories of the Scottish Index of Multiple Deprivation |  MD20 5.9% MD40 16.9% |  MD20 7.1% MD40 17.3% |  MD20 8.2% MD40 19.3% | ✓ | On track for 2017/18 and management information for 2018/19 shows that the MD20 2020/21 target has already been met. This target will be reviewed in line with the new Widening Participation Strategy, launched 31 October 2018. |
| | Number of schools with balance above 75% for either male or female students | 4 | 2 | 3 | 👁️ | Broadly positive trend with increase since 2016/17. This indicator will be kept under review in light of the University's Gender Action Plan. |
| | Number of schools with greater than 10% of entrants from a single non-UK domicile | UG 3 PGT 20 PGR 12 | UG 8 PGT 20 PGR 14 | UG 7 PGT 21 PGR 13 | ✓ | Slight variations year on year. This metric is being kept under review. |
| Staff population characteristics | Staff age profile (%): Professional services staff aged under 25 | 10% | 10% | 11% | 👁️ | The professional staff population who are aged under 25 is increasing, but slowly. The trajectory will be reviewed as part of the Youth and Student Employment Strategy. |
| | Staff age profile (%): Academic staff aged under 40 | 48% | 48% | 48% | 👁️ | Maintaining proportion. This trend will be monitored. |
| | Grade 9 and 10 gender profile | Female : Male Grade 9 38 : 62 Grade 10 26 : 74 | Female : Male Grade 9 39 : 61 Grade 10 25 : 75 | Female : Male Grade 9 40 : 60 Grade 10 27 : 73 | ✓ | Positive trend towards more balanced gender split. Trend to be kept under review alongside actions agreed through the Athena Swan Action Plan – submitted alongside successful reapplication for Silver award. |
| Partnerships with Industry | | Baseline 2015/16 | Year 1 2016/17 | Year 2 2017/18 | Attention | Notes |
| Number of patents | | 72 | 88 | 117 | ✓ | |
| Number of licenses | | 43 | 47 | 48 | ✓ | |
| Number of start-up companies created | | 35 | 44 | 45 | ✓ | Positive upward trend against all measures. This will be kept under review in line with City Deal KPIs. |
| Value of consultancy processed by Edinburgh Innovation | | £5m | £5.3m | £5.6m | ✓ | |
| Value of industrial and transitional awards | | - | £28.5m | £37.3m | ✓ | |
| Influencing Globally | | Baseline 2015/16 | Year 1 2016/17 | Year 2 2017/18 | Attention | Notes |
| The University's non-UK population | % academic staff from UK/EU/outwith EU | UK 60% EU 24% ROW* 16% | UK 60% EU 25% ROW* 16% | UK 58% EU 25% ROW* 17% | ✓ | The University will continue to monitor this indicator in light of Brexit. |
| | % Students from outside UK | 46% | 47% | 50% | ✓ | Target - 50% Target achieved. |
| Research reputation | QS academic reputation ranking | 24th in the world | 28th in the world | 24th in the world | ✓ | This position has improved in year. Target - Maintain or improve position |
| Digital transformation and data | | Baseline 2015/16 | Year 1 2016/17 | Year 2 2017/18 | Attention | Notes |
| Online distance learning | Number Postgraduate Taught online distance learning students in the whole population each year | 2,544 | 2,921 | 3,381 | 👁️ | Moving gradually in the right direction but a stretch target. Continue to monitor in line with distance learning at scale project. |

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 our Capitals (the resources which we draw on and influence), to create and sustain value for our many stakeholders.

The case studies throughout this Integrated Annual Report, demonstrate how we maximise the potential of these Capitals to create value for our stakeholders and to ultimately enhance the capitals themselves. 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.

How we create value

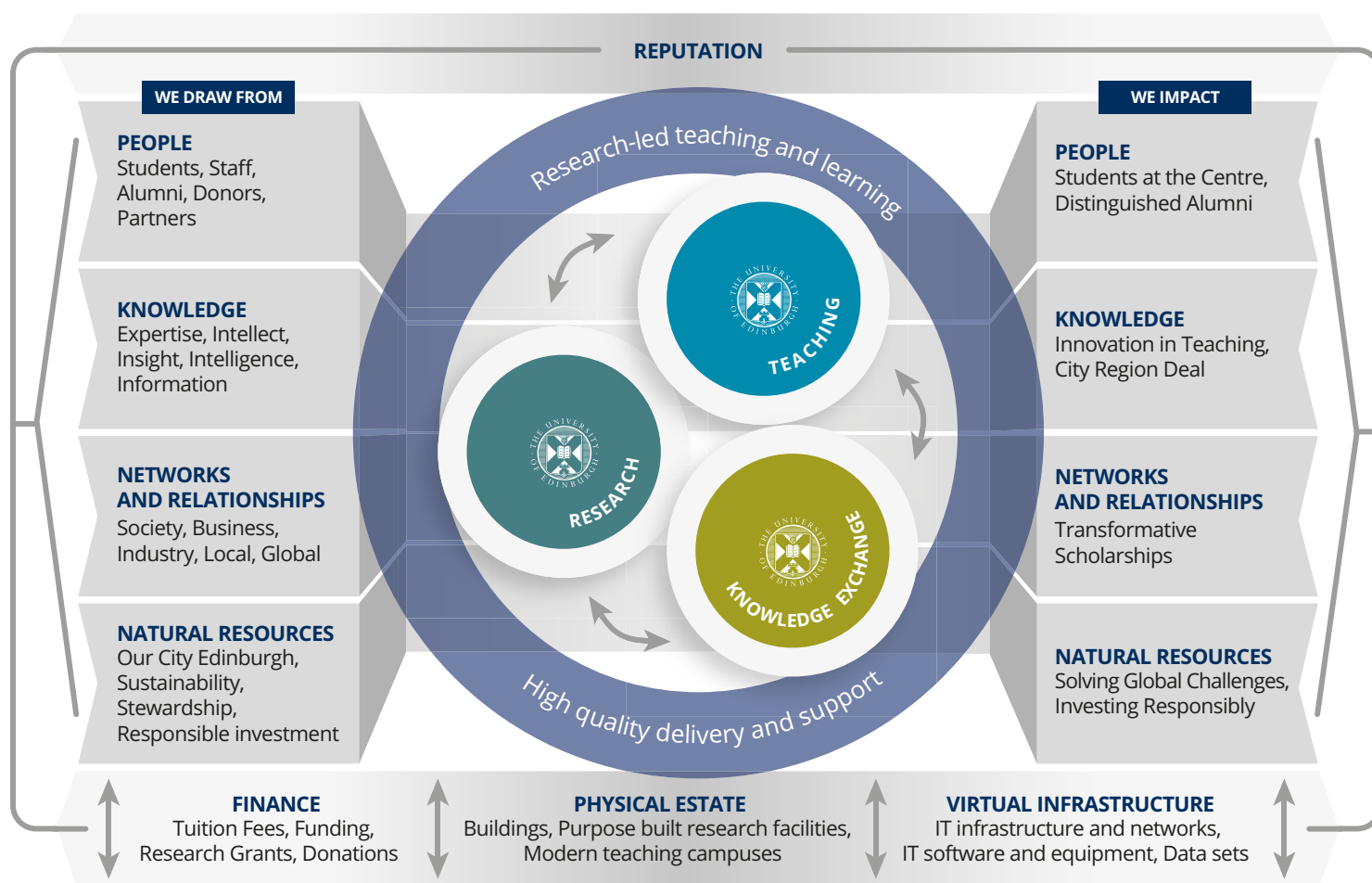
We deliver impact for society. As a truly global university, rooted in Scotland's capital city, we make a significant, sustainable and socially responsible contribution to the world. Our mission to discover, develop and share knowledge is at the heart of everything we do.

We teach students from across the world at our campuses in Edinburgh. 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 Capitals (inputs) and have a positive impact on society.

Students at the Centre

A dedicated hub designed by students, for students, to bring together the academic, support and social aspects of a student's life, page 31



Distinguished Alumni

Many of our alumni are world leaders in their field, contributing to global challenges, page 14



Innovation in Teaching

Edinburgh Q-Step centre to equip students with the quantitative skills needed in the Social Scientists of the future, page 4



City Region Deal

Work with partners to establish the region as the data capital of Europe, attracting investment, fuelling entrepreneurship and delivering inclusive growth, page 7



Transformative Scholarships

Edinburgh Global and the Mastercard Foundation Scholars Programme – widening access to education to students throughout the world, page 22



Solving Global Challenges

Stimulating interdisciplinary and intersectoral collaboration towards groundbreaking solutions to major planetary health challenges, page 47



Investing Responsibly

Incorporating environmental, social and governance factors into investment decisions, page 39



Our strategy and Value Creation Model is assured by effective governance

Our strategy has been in place since 2016. We plan to present a new version of the strategy to the University Court in early 2019. This will take account of the changing context for higher education institutions and will set our priorities for the years ahead.

Read more: Corporate Governance Statement, page 41
Financial Review, page 35
Independent Auditors' report to Court, page 50

A photograph of Professor Lorna Dawson, a woman with brown hair, wearing a light blue lab coat and purple gloves. She is looking through a white and black microscope. A small name tag is visible on her lab coat.

Distinguished alumni

Edinburgh alumna Professor Lorna Dawson CBE, Principal Soil Scientist at the James Hutton Institute in Aberdeen, has been instrumental in bringing about significant progress in soil forensic science in the last 15 years; developments which have provided vital evidence for criminal investigations.

Lorna was called on by the National Crime Agency (NCA) to develop and test methods of soil characterisation for use in criminal investigations. Working collaboratively with the then Forensic Science Service (FSS) and the NCA, along with police forces and forensic practitioners, she developed approaches that could be used with confidence in criminal case work and built in a system of accreditation to this process.

She developed tools which could be used both in the search phase of a police operation using geographic information systems (GIS) and digital data (using her geography and fieldwork skills) and also presented a way to integrate the data as evidence in court, using a polyphasic analysis approach to enhance evidential value. The field of quantitative forensic soil science was born.

To read the full story, please visit: <https://www.ed.ac.uk/alumni/services/news/news/solving-crimes-with-soil>

Understanding our risks

We define risks as simply the potential effects of uncertainty on achieving our objectives. They can take the form of adverse consequences, or unexpected opportunities. Risk is inherent in all activity 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 comprising governance, a defined risk appetite and an underlying policy and control environment.

Process

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 it to take advantage of opportunities to generate further value.

The University operates processes for the identification, evaluation and management of risks that might impact the achievement of its strategic objectives and its Value Creation Model. It records the material risks in the University Risk Register. The Risk Management Committee monitors and reviews emerging and changing risks throughout the year, informs the University Executive and reports the Committee's findings to the University Court's Audit and Risk Committee.

We review our risk appetite each year in light of experience and strategic intention. We adjusted elements of our risk appetite policy in 2018 to permit increased borrowing and more efficient use of treasury resources.

Risk owners assess risk regularly, and each of the risks in the Register is formally assessed at least once each year and reviewed by the Risk Management Committee. The Risk Management Committee ensures that the risks are being actively managed, with the appropriate strategies in place to work effectively.

College, professional services group and subsidiary company risk registers ensure key operational risks are identified and managed by the appropriate organisation within the University. Internal Audit supports this process and undertakes reviews of key areas throughout the year according to a rolling audit plan.

All major projects have individual risk registers and risk assessment is incorporated into planning and decision-making processes.

Effective risk management is a process built on continuous review and improvement. While previous external reviews put the University in the upper quartile of its peer group in terms of risk management system maturity, the University further expanded its risk management efforts, with renewed emphasis on integrating risk management into the strategic and operational planning processes, and aligning risk management processes across the diverse Colleges and business units. The University also reinforced the Business Continuity Management Framework this year, to further strengthen and embed effective risk and opportunity management across all levels of the organisation.

Risk register

The University Risk Register is formally reviewed and updated annually by the Audit and Risk Committee and approved by the University Court. The most recent update was approved at the Court meeting on 18 June 2018 and aligns with the University's latest Strategic Plan. Set out on the following pages are those risks we consider most material, drawn from our risk register. The list is not exhaustive and is in no particular order, as there are many events that could require additional action to manage them in an organisation as large and complex as ours.

The UK's decision to leave the EU remained a source of uncertainty this year, but as more details have emerged, our concerted efforts to adapt have resulted in somewhat less uncertainty surrounding staff recruitment and retention, student recruitment, investment, exchange rates and industry engagement. Research funding remains as a major Brexit-related uncertainty. This is also, however, a time of tremendous opportunities - involvement in the Edinburgh and South East Scotland City Region Deal and Data Driven Innovation programmes 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.



The Risk Management Committee

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

University Executive

<https://www.ed.ac.uk/governance-strategic-planning/governance/university-committees/othercommitteesandgroups/university-executive>

University Court's Audit and Risk Committee

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

Internal Audit

<https://www.ed.ac.uk/internal-audit>

Edinburgh and South East Scotland City Region Deal

<https://www.ed.ac.uk/local/city-region-deal>

Data

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

European leader in data science expertise

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

Understanding our risks (continued)



QS World University Rankings 2019

<https://www.topuniversities.com/universities/university-edinburgh#wurs>

National Student Survey (NSS)

<https://www.ed.ac.uk/students/academic-life/student-voice/student-surveys/national>

UoE Feedback activities

<https://www.ed.ac.uk/students/inspiring-students/we-re-listening>

Research Policy Group

<https://www.ed.ac.uk/governance-strategic-planning/research/rpg>

Research Support Office

<https://www.ed.ac.uk/research-support-office>

Worktribe Research Management

<https://www.ed.ac.uk/research-support-office/toolkit-for-applicants/worktribe>

Global Office

<http://global.ed.ac.uk/>

Online Distance Learning

<https://www.ed.ac.uk/studying/postgraduate/degree-guide/online-learning>

Data-Driven Innovation

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

Widening Participation

<https://www.ed.ac.uk/student-recruitment/widening-participation/about/what>

Equality and Diversity Strategy, Outcomes and Action Plan

<https://www.ed.ac.uk/equality-diversity/about/strategy-action-plan>

Edinburgh Innovations

<https://edinburgh-innovations.ed.ac.uk/>

Strategic Objectives and Development Themes

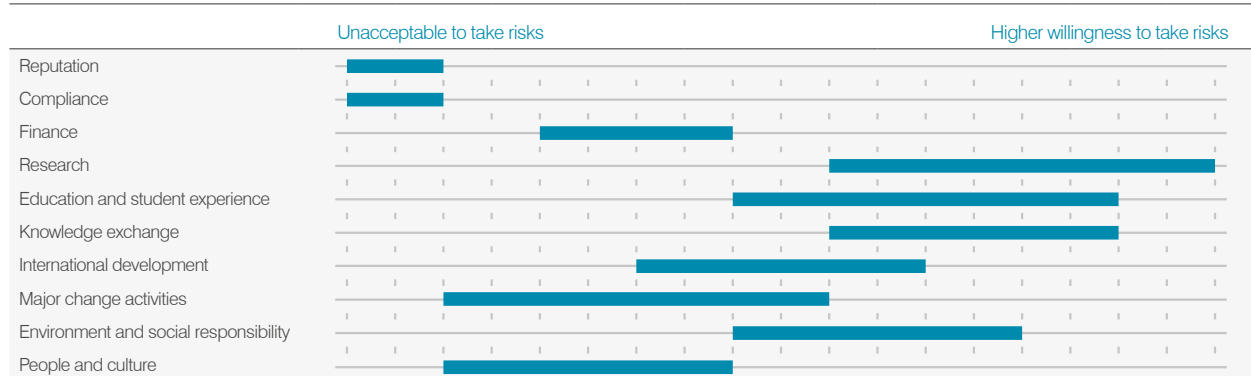
| Strategic Objectives and Development Themes | Risk Description | Risk Management |
|---|--|--|
| Leadership in learning | Failure to provide a high quality student experience may negatively impact our reputation, recruitment and retention. | The University of Edinburgh has traditionally excelled as a research institution and this year the QS World University Rankings 2018 have placed the University 18th in the world. This puts Edinburgh fifth in the UK, and once again in 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 is working to reinforce the status of teaching alongside research, improve the quality and timeliness of assessment and feedback to students, and will continue to capitalise on new technologies, new and more efficient use of teaching spaces and improved teaching support to address this risk. |
| Leadership in research | Failure to grow and diversify sources of research income in response to changing political and regulatory environment may lead to loss of research revenue and loss in global standing. | The University's Research Policy Group has continued to broaden the scope and sources of research grants, strengthening existing partnerships and seeking new opportunities globally. The University has reshaped the research support infrastructure through the Research Support Office, appointing a new Director, better aligning research strategy with the strategic goals of the University, and implementing Worktribe Research Management software to actively support research application and award activity. |
| Influencing globally | 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 accelerate partnerships with EU universities, and increase recruitment activity for EU postgraduate taught and international students. We have increased investment in the Global Office network, and recruitment activity in Africa, 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, as well as changes in government legislation and policy may impact the University's ability to contribute meaningfully to the region and the nation. | Partnerships with government and industry through Data-Driven Innovation (DDI) and South East Scotland City Region Deal present an unprecedented opportunity to accelerate growth and make a strong contribution to regional development, and we are pursuing these opportunities vigorously. 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 | Failure to sustain adequate support for innovation across all themes (finance, culture, resourcing) may lead to lost opportunities to generate new research and revenue themes. | The University actively promotes entrepreneurial opportunities for students, increasing the uptake of entrepreneurial education and developing the institutions' practitioner-led training. Through our wholly-owned subsidiary company, Edinburgh Innovations, we offer services to students, staff and businesses to build collaborative partnerships, encourage and support staff and students to offer professional consultation services to industry, and develop innovative products and services that can be spun-out into successful businesses. Major partnerships through the aforementioned City Region Deal and DDI programs provide tremendous opportunities to build and strengthen further partnerships with regional, national and global industry. |

Understanding our risks (continued)

Strategic Objectives and Development Themes

| Strategic Objectives and Development Themes | Risk Description | Risk Management |
|--|---|---|
| Digital transformation and data | Compromise of University systems due to missing, ineffective or inappropriate controls which may result in loss or exposure of data, leading to reputational damage and financial impact. | The office of the University Chief Information Security Officer, created last year, has expanded efforts by embedding teams in the various Colleges and professional services groups to align data security across the University. The General Data Protection Regulation (GDPR) was implemented this year in accordance with EU guidelines, and further protects personal data. The Information Technology Committee continues to have oversight of improvements in Information Security via the Information Security Working Group, and we have introduced a new University-wide accredited Data Safe Haven. |
| Supporting our people | Staff satisfaction and engagement may be affected by issues such as recognition for quality teaching and changes to the pension scheme. | There is considerable concern amongst staff about the future of the sector-wide USS pension scheme. We are engaging actively with Universities UK (UUK), who represent the employers, to support efforts to find a sustainable solution. More broadly, we have recently launched the first ever staff survey across the University which will report by Christmas and should give us a rich source of information about the levels and nature of staff satisfaction and engagement. In the meantime, a range of work is in hand including our Service Excellence Programme which seeks to simplify and streamline business processes, improve services for administrative staff and academics, and remove duplication, so our staff can concentrate on what they do best: delivering top quality learning and research. |
| Growth through investment in learning and research | Inadequate implementation of major projects may lead to a failure to implement change effectively, resulting in loss of opportunity and inefficient spending and effort. | This year saw the further improvement of standardised project management steering groups, boards and other advisory, focus, and implementation groups, and enhancement of project management processes and gateway reviews to assist in coordination and leadership of projects and programmes. We established a University Projects website to provide improved project planning, reporting and management guidance and support across the institution, in concert with the Service Excellence Programme. |
| Investing in the city and our physical presence | Rate of investment and enhancement of the estate may be inadequate to meet the growth aspirations of the University. | As one of Scotland's four ancient universities, we are responsible for maintaining the legacy of historically significant buildings while ensuring access to a diverse population, and supporting state-of-the-art research and teaching. Concurrently, we must grow to meet the needs of increased enrolment and pursuit of new technologies and opportunities. We have refreshed our Estates Strategy to deal with these challenges. The University Executive monitors and advises on Estates Strategy, capital development, and maintenance and compliance programmes. |

Our appetite for risk



Chief Information Security Officer
<https://www.ed.ac.uk/information-services/about/organisation/is-org-infosec>

General Data Protection Regulation (GDPR)
<https://www.ed.ac.uk/records-management/gdpr>

Information Technology Committee
<http://www.committees.ed.ac.uk/information-technology-committee>

Data Safe Haven
<https://www.ed.ac.uk/information-services/research-support/research-data-service/working-with-data/sensitive-data>

Learning and Teaching Committee Task Groups
<https://www.ed.ac.uk/academic-services/committees/learning-teaching/task-groups>

University Projects website
<http://www.projects.ed.ac.uk/>

Service Excellence Programme
<https://www.ed.ac.uk/university-secretary-group/service-excellence-programme>

Estates Strategy
<https://www.ed.ac.uk/estates/about/policies-and-strategies>

University Executive
<https://www.ed.ac.uk/governance-strategic-planning/governance/university-committees/>

Operational review



Operational review

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 what we do.

Leadership in learning

In February 2018 the University welcomed Professor Peter Mathieson, Principal and Vice-Chancellor. Peter has laid out clear and ambitious plans to strengthen Edinburgh's international reputation, focusing on excellence in both teaching and research, and widening access to the University.

Edinburgh received an unprecedented number of applications to study during the 2017/18 academic year. More than 16,000 students, inclusive of online learners, joined us in September 2018, and despite the uncertainty that leaving the European Union brings, recruitment of UK and EU students remains high, with more than 9,000 joining us this academic year.

Studying at Edinburgh prepares students for life beyond studies, and results from the Destination of Leavers from Higher Education (DLHE) survey conducted by the Careers Service show that, six months after graduating in 2016/17, 94.9 per cent of our graduates from undergraduate programmes were in employment or further study. Of that figure, 79.7 per cent were in Highly Skilled Employment and Further Study (HSEFS). We are pleased to report that these figures have increased from 93.5 per cent and 78.3 per cent last year.

heard more clearly than before. As part of a comprehensive review of how we can all provide more effective support, our Principal will continue to meet students across our campuses, and we are soon to appoint a senior member of staff who will oversee all matters related to student satisfaction. We are also planning to conduct periodic reviews of these measures so that we can fully deliver on our ambitions for our students.

A new lecture recording service, Media Hopper Replay, has been rolled out to enhance student satisfaction with learning resources and academic support. It can be accessed safely and securely via the University's Virtual Learning Environments (VLEs), and around 400 core teaching spaces will be equipped to support the service which will be made available on an opt-in basis. It is being rolled out over three years and has been available in 114 core teaching spaces in the 2017/18 academic year. Students can review material to deepen learning and understanding, support exam preparation, or prepare for lessons. Lecture recording is a supplemental resource and extends the rich collection of online materials already provided by library resources and VLE courses.

In response to student feedback, new drinking water points have been installed across the University estate, providing students and staff with easy access to drinking water. More than thirty free to use drinking water fountains have already been installed, and a total of 200 points will be installed or upgraded over the next eighteen months. Reusable water bottles are being sold in cafés and shops on campus and a helpful map will help students and staff to find their nearest water point.

The University held its first Learning and Teaching Conference on 20 June 2018. It was a vibrant conference, opened by the Principal, Professor Peter Mathieson and chaired by Senior Vice Principal, Professor Charlie Jeffery. Inspiring keynote speakers included Professor Amy B.M. Tsui from the University of Hong Kong, who presented on her experiences of transforming student learning and Dr Torgny Roxå, from Lund University, Sweden, who presented work on changing teaching cultures in higher education. There were over 80 presenters from across the University who shared research and practice, with 300 staff and student delegates.

“I’m passionate about teaching – the best teachers can be instrumental in inspiring people to go on to do great things.”

Professor Peter Mathieson

Principal and Vice-Chancellor, University of Edinburgh

A new survey (Graduate Outcomes Survey) for 2018 graduates has replaced the Destination of Leavers from Higher Education (DLHE) and is being conducted by HESA (Higher Education Statistics Agency) and will have some significant changes in what is measured. Graduates will be surveyed 15 months after graduation, meaning information on graduate destinations will not be available until 2020.

Providing the best experience possible for all our students is a priority, and we are devising ways of ensuring that the student voice is

Operational review (continued)

The Teaching Matters blog - the University's online platform for sharing ideas and approaches to teaching - continues to grow and showcases our successes in innovative practices. With a monthly readership of more than 4,200, staff and students have contributed more than 260 blog posts on topical themes which align with the University's Learning and Teaching Strategy. The impact of Teaching Matters is becoming increasingly visible as a collaborative, peer-based community of practice, and contributions are used as pedagogical resources in Continuing Professional Development (CPD) and workshop activities.

“We are installing drinking water points across the University estate in direct response to student requests for more access to drinking water. We are delighted to encourage our students to adopt healthier habits by drinking more water and reducing the number of plastic water bottles that end up as litter. ”

Gary Jebb

Director of Estates,
University of
Edinburgh

Leadership in research

The University of Edinburgh is consistently ranked amongst the top universities in the world for research and has been a pioneer of inspiring discoveries and scientific breakthroughs. All our indicators suggest that this legacy continues to be strengthened into the present day, and preparations are underway for the Research Excellence Framework (REF) 2021.

In February 2018, University lecturer and alumna Beth Christie (PGDE 2015) took to the Antarctic seas with 80 fellow ambassadors as part of the world's largest all-female expedition. The groundbreaking initiative involved a 12-month collaboration and leadership development programme carried out through virtual and in-person sessions, culminating in an expedition to Antarctica.

By bringing together current and future leaders in this way, Beth's project Homeward Bound strives to create a collaborative network of female influencers to address the lack of women in leadership positions, and aims to reach 1,000 women within 10 years. Beth also plans to integrate the project into schools across Scotland and she is collaborating with academics, Education Scotland, Dynamic Earth and Scotland's UN Regional Centre of Expertise on Education for Sustainable Development, to determine the best way to develop this outreach work.

With 2018 marking the 70th anniversary of the NHS, the University is proud of its long-standing partnership with NHS Scotland, training healthcare professionals and NHS leaders of tomorrow. Thanks to University investments in DNA technologies – through the Scottish Genomes Partnership – more than 10,000 people have now had their genetic make-up decoded under the scheme, including 500 NHS patients, as part of a collaboration with Genomics England. Findings from the project are helping to improve diagnoses for patients in NHS Scotland, as well as advancing the understanding of rare and common diseases including cancer.

The University and NHS Lothian's clinical research was rated in the top five in the UK for quality and breadth in the most recent assessment of research excellence. Cutting-edge research has helped to improve patient diagnosis and treatment, including the prospect of personalised medicine for people in Scotland.

£3.8 million has been awarded by the Engineering and Physical Sciences Research Council (EPSRC) to Proteus to advance the development of next generation medical devices that monitor disease deep inside the lungs. Proteus is led by the University in collaboration with the University of Bath and Heriot-Watt University. The investment will enable researchers to further develop the technology for clinical use, develop new world-leading technology and accelerate commercial translation.

Influencing globally

As the higher education sector across the UK tried to digest the impact of Brexit in the aftermath of the referendum vote, the University was quick to react and reassure its students, staff and European research and exchange partners of their significance and the invaluable contribution they make to the University. Edinburgh Global supported senior-level visits to key partner institutions to develop further links and build on existing research collaboration, and staff were encouraged to keep engaging and collaborating with their European peers, applying for EU grants and exchanging students. Since June 2016 the



Bill Gates at the launch of the University of Edinburgh's Global Academy of Agriculture & Food Security



The University is now the largest UK beneficiary of Erasmus + Key Action 1 funding in the UK



China's first college for the study of low-carbon technology has opened with the support of experts from Edinburgh

University has increased its applications for collaborative research funding through Horizon 2020 - the largest EU Research and Innovation programme - and won 82 awards with partners from across the EU. We continue to see our EU intake grow across all levels and in May 2018, the University had confirmation of our largest ever Erasmus budget to support European student and staff mobility in 2018/19.

The University reinforced its membership of key European networks, and Edinburgh Global coordinated and hosted both the Coimbra Group Annual Conference and General Assembly in June 2017, the League for European Research Universities (LERU) Rectors Assembly in May 2018, and was successful in joining the UNICA network (Network of universities from the capitals of Europe). It is through our networks, The Russell Group of Universities and Universities UK, that Edinburgh ensures its voice is heard as post-Brexit participation in European funding programmes is considered, and the University aims to make sure its strong commitment to Europe is clear. Regardless of how Brexit may impact on the sector, the University will continue to be international in its outlook.

Edinburgh awarded Honorary Doctorates to two of the founding fathers of the Erasmus mobility programme during the summer graduations. Dr Hywel Ceri Jones and

Dr Alan Smith were officially recognised for their outstanding contributions to establishing the world's largest student mobility programme. The flagship European programme was launched over 30 years ago and has benefited over nine million students. Edinburgh has been a partner since 1987.

In 2018 Edinburgh secured its largest ever award for student and staff mobility – a 63 per cent increase from funding secured in 2017. It will enable 850 student placements or traineeships and 300 staff training and teaching opportunities. The University is now the largest UK beneficiary of Erasmus + Key Action 1 funding in the UK higher education sector, secured in a competitive national process.

China's first college for the study of low-carbon technology has opened with the support of experts from Edinburgh. The China-UK Low Carbon College (LCC) in Lingang, Shanghai, will become a key centre for the exchange of ideas, talent, technology and resources to tackle global environmental challenges. Students, academics and industry experts from China, the UK and further afield will develop a range of projects, courses and partnerships. The new college is a joint initiative between the University of Edinburgh, Shanghai Jiao Tong University and Shanghai Lingang City, and is based in a custom-designed facility in Lingang, south of Shanghai.

Transformative scholarships

The University's scholarship opportunities support students from diverse backgrounds, giving those with great academic potential, but few educational opportunities, access to world-class education, a transformative student experience, wrap-around welfare support and the tools to have impact in their local communities. Edinburgh Global works in partnership to secure international scholarships, widening access to education and attracting the best and brightest students from all over the world.

The Mastercard Foundation Scholars Program at the University of Edinburgh provides full scholarships and transformative leadership training to educate and support bright, young African students with a deep, personal commitment to changing the world around them. Over seven years, the University will provide 200 full postgraduate and undergraduate scholarships to students from Africa with great academic and leadership potential but few educational opportunities. The Scholars Program facilitates transformative leadership programming to inspire and support Scholars in making change in their communities and countries on their return home.

Find out more about Edinburgh Global and the Mastercard Foundation Scholars Program at the University of Edinburgh:
www.global.ed.ac.uk www.edin.ac/mastercard-foundation



Operational review (continued)

In April 2018, Microsoft co-founder Bill Gates and Government Minister Penny Mordaunt formally launched the Global Academy of Agriculture and Food Security, a £35 million research and teaching initiative at the Easter Bush Campus focused on safeguarding the future of the world's food supplies.

The Global Academy for Agriculture and Food Security is a hub for teaching and research into issues that affect global food and environmental security, sustainable rural development, and the wellbeing of animals and people. New undergraduate courses in agricultural sciences, developed jointly with Scotland's Rural College (SRUC), will prepare students to respond to the global challenges associated with sustainable farming in the face of a changing climate.

The University and Edinburgh University Students' Association received a two-star Fairtrade Award at a ceremony at Keele University, marking nearly 15 years of support for ethical and responsible purchasing. The new scheme encouraged 12 pilot universities and colleges to report in detail on their commitment to fair trade practices and responsible purchasing habits. Edinburgh became the first Scottish university to attain Fairtrade status in 2004 following a vote by students. We will remain a Fairtrade University until at least 2020.

Contributing locally

Our University is a global university, embedded in the city of Edinburgh. Its students are the doctors, teachers, academics, social workers, engineers and technology entrepreneurs of the future and, through their training and research at the University, contribute directly to the health and wellbeing of communities in Edinburgh and the surrounding areas.

The University is committed to making a positive contribution to the city. In November 2017 Edinburgh Local was launched, a University-wide initiative that aims to strengthen relationships between the University and local communities, put research and teaching at the service of local communities, and to open up access to University buildings and facilities to Edinburgh residents.

The Edinburgh Local Community Grants Scheme provides funding to community groups tackling vital social issues, and in the last year awarded more than £90,000 to community projects. Funding for Voice of Carers Across Lothian (VOCAL) will provide peer support, group training and supportive therapies to 50 Midlothian carers. North Edinburgh Arts Pop-In Community Café will use their grant to expand the café in order to support local people who are struggling to access employment.

The Principal and Vice-Chancellor Professor Peter Mathieson has renewed the University's commitment to the Social Impact Pledge for a

second year running; a Scottish Government initiative aimed at increasing the social impact of public sector organisations across Scotland. As a result, more students will be trained to work with community groups to enhance digital literacy and support employability, in an extension of the University's current Digital Ambassadors programme. The University also aims to increase the number of sustainable start-up social enterprises it generates.

“Embedded in the University’s strategic plan is a strong commitment to contributing locally. We already do much for local benefit through our research and learning and through our economic impact, but we wish to do more. I am very pleased that the three elements in this Social Impact Pledge will contribute further to our work in promoting health and education, as well as economic and social wellbeing. ”

The University is also supporting the establishment of a Centre for Homeless Health and Inclusion within the NHS Access Practice for Homeless People in Edinburgh's city centre. Working with the NHS, the City of Edinburgh Council and other partners, the University will assist in building the capacity of the practice to support pathways out of homelessness.

In March 2018 the University was proud to launch its Youth and Student Employment Strategy 2017–2021, which presents a whole-institution approach to this important agenda. In this strategy, long-term goals will ensure a forward-thinking role in creating, promoting and delivering opportunities that enhance the employability of young people, including our students.

Professor Peter Mathieson
Principal and Vice-Chancellor, University of Edinburgh

Operational review (continued)



MSPs and Partners at launch of City Region Deal

Generating a sustainable pipeline of talent, providing access to the right tools and support for staff and giving individuals the platform they need to excel, is critical to Edinburgh's long-term success, and helps us make a vital contribution to our local community.

Partnership with industry

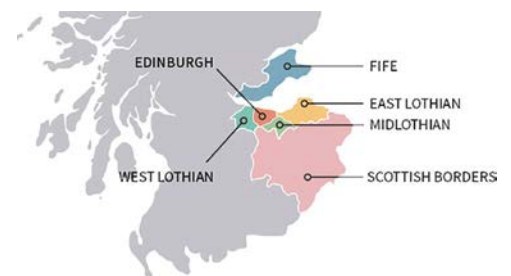
Edinburgh Innovations - the innovation management service for the University - has played a key role in the creation of FinTech Scotland, a new body to boost growth in Scotland's financial technology sector. FinTech Scotland aims to promote sustainable economic growth through innovation, collaboration and inclusion. The partnership involves the Scottish Government, the private sector and the University.

A focus for the FinTech Scotland team will be to bring together drivers for the sector to grow. These include the ideas of entrepreneurs and innovators, the resources of the financial sector and the economic and social objectives of the public sector. The work of FinTech Scotland will be closely aligned with the University's Edinburgh Futures Institute and the Edinburgh and South East

Scotland City Region Deal, both of which have a focus on developing the Fintech sector.

VertAx Wind Ltd and the University have signed the first commercial licensing agreement for the C-Gen Permanent Magnet Generator, developed here at the University. The worldwide agreement enables VertAx to build the technology into its multi-megawatt vertical axis wind turbine currently under development. Edinburgh Innovations has supported C-Gen's development at every stage, from early progression of the technology and identification of funding opportunities through to commercialisation, which includes managing the intellectual property and licensing.

In January 2018 the University announced its decision to invest £1 million in a new partnership that seeks to dismantle poverty and create opportunities for people and communities across the UK. The University will embark on work with Big Issue Invest, the social investment arm of The Big Issue Group, one of the world's most recognised social enterprises and home to the award-winning street magazine. The money invested will



Map of Scotland highlighting the city and south east regions

Operational review (continued)

go in to Big Issue Invests Social Enterprise Investment Fund II (SEIF II). SEIF II invests in social enterprises and charities that are finding innovative solutions to tackle some of the toughest social problems. These include homelessness, social and financial exclusion, and youth unemployment. It is the largest financial investment in social enterprise ever made by a UK university.

Scientists at the University are to benefit from an initiative that seeks to build links between industry and researchers. Experts at the University's supercomputing centre, EPCC, are leading a project with Rolls-Royce to develop a detailed simulation of a gas-turbine engine in operation. The project, to be carried out over five years, is led by Edinburgh and also involves the Universities of Bristol, Cambridge, Oxford and Warwick as well as industry partners CFMS and Zenotech. It is one of seven Universities across the UK to benefit from a programme that aims to build links between the UK's research base and industry partners. The £42 million scheme is funded by the Engineering and Physical Sciences Research Council (EPSRC), industry partners and universities.

Digital transformation and data

In August 2018, UK Prime Minister Theresa May and Scottish First Minister Nicola Sturgeon visited the University to formally agree the Edinburgh and South East Scotland City Region Deal. The Deal is a major investment into the area where 24 per cent of the Scottish population live, and is designed to accelerate growth by funding infrastructure, skills and innovation. The Prime Minister and Scottish First Minister signed the Deal at the University's Bayes Centre, at an event that highlighted data science expertise at the University.

Edinburgh is partnering with Heriot-Watt University on the City Region Deal's exciting Data-Driven Innovation (DDI) component. The aim is to establish the region as the data capital of Europe over the next 15 years, attracting investment, fuelling entrepreneurship, and delivering inclusive growth. The University is proud of its history as a civic university and is excited about making a long-lasting contribution to the economic and social development of the region through the City Region Deal.

The University has announced 30 prestigious new fellowships for highly talented researchers focused on data-driven innovation. Aimed at early career academics who have already begun to establish a reputation for top quality research in data sciences and artificial intelligence, the Chancellor's Fellowships in Data-Driven Innovation seek to help researchers develop their research to the highest international standards.

Our academic excellence, greater student access and pioneering research initiatives are supported by alumni and friends through the Edinburgh Fund. Gifts to the Edinburgh Fund contribute to scholarships, the Principal's Go Abroad Fund and provide funds for the Principal's Teaching Awards Scheme and Innovation Initiative Grants, recently relaunched as Student Experience Grants.

Projects that have been funded through alumni and supporter donations include Coding Club, a positive peer-to-peer learning community aiming to develop fluency in statistics and the programming language R. Coding Club brings together undergraduate students, recent alumni, PhD students and researchers for weekly peer-led workshops to deliver a meaningful and motivational learning experience. Following a successful inaugural year in which over 200 people attended their workshops, Coding Club won Best Student-Staff collaboration at the 2017 Edinburgh University Students' Association (EUSA) Impact Awards. Coding Club promotes lifelong learning, and its online learning resources are openly available, so alumni and members of the public can continue with their statistical and coding education. As of August 2018, its website has received more than 78,000 views from more than 32,000 unique visitors around the world.

Estates

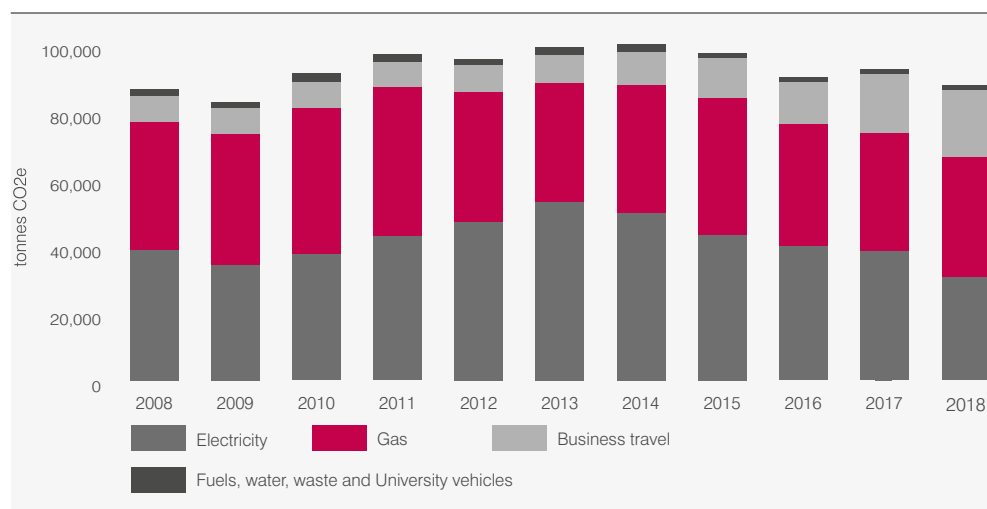
Our ambitious Estates Capital Plan progresses, with the successful completion of several major building projects aimed at enhancing the experience for our students, researchers and wider community. These form part of a capital programme that will see £1.3 billion invested in the next ten years.

The restoration of the spectacular McEwan Hall, completed in 2018, has recaptured the building's former glory and recently hosted this year's summer graduations. McEwan Hall received Royal Incorporated Architects in Scotland Awards (RIAS) at a ceremony on 20 June 2018. These highly prestigious awards are recognition of the recent renovation and refurbishment of this historic building, enabling the building to continue to fulfil its role at the heart of University life.

In May 2018, a new centre hub building at the Royal (Dick) School of Veterinary Studies, based at the University's Easter Bush campus, was opened by Her Royal Highness The Princess Royal. The 7000 m2 sustainable building was completed at the end of 2017 and provides shared state-of-the-art facilities for students, staff and research scientists. It lies at the heart of a growing cluster of bioscience organisations on a recently expanded and redeveloped campus owned by the University.

Operational review (continued)

Absolute carbon emissions



As low carbon programmes, such as the Sustainable Campus Fund are implemented, the University expects to see a reduction in its emissions in the coming years. The increase in overall carbon emissions can be attributed to downtime with the University's Combined Heat and Power Energy Centres, resulting in the need for more electricity from the national grid. The quality of business travel data is improving, resulting in more sources of carbon emissions being reported.

Zero by 2040 – Climate change and sustainable operations

In 2016, the University launched its new Climate Strategy which was developed with input from a range of internal and external stakeholders. The strategy sets out one of the most ambitious plans to tackle climate change mitigation and adaptation within the higher education sector, as well as the public sector within the UK. The University has made a commitment to become a net zero carbon university by 2040, taking action across research, learning and teaching, operations and responsible investment. We are currently investigating further investment in renewables opportunities.

Since the strategy was launched, the Sustainable Campus Fund (a three-year fund worth £2.75m) was established in 2016.

Due to its success, the fund has been extended to a five-year period, increasing to £4.75m. The performance of the fund enabled the University to obtain a low cost loan of £5.2 million from the Scottish Funding Council to support solar panels on campus. Together, both of these funding mechanisms are expected to deliver combined annual savings of over £900,000 and 3,000 tonnes carbon dioxide equivalent (CO₂e).

In 2017/18, the University communicated with over 15,000 people through online or face-to-face engagement on climate and sustainability related issues. This includes 5,000 individuals attending events and Be Sustainable Training. Direct engagement with staff and students is delivered through

the Sustainability Awards, Sustainable Labs Programme, Energy Coordinator Network, Waste Coordinator Network, Social Responsibility and Sustainability (SRS) Academic Network, volunteering roles and through the online Waste Action Reuse Portal (Warp it), which has attracted over seven hundred staff as members. These networks cover over sixty departments in the University.

The PC Reuse Project has significantly increased its impact over the last year. The project has managed to reuse over 1,400 machines as well as over 2,000 other items of IT equipment such as monitors, keyboards and mice. Starting with a small office clear out of 40 computers in 2015, the project has now led to financial savings close to £300,000, carbon savings of 228 tonnes and over 16 tonnes of waste being diverted from landfill. In 2017/18 the cash savings alone have amounted to £114,210. The University has extended the benefits of the PC Reuse Project to the community, donating over 600 PCs and 1,300 peripheral items to social enterprise Remade in Edinburgh.

The University of Edinburgh is a contributing institution to a Global Alliance of the world's universities, colleges and sustainability networks. The University of Edinburgh and Edinburgh University Students' Association signed the Sustainable Development Goals Accord at the beginning of 2018, reaffirming the University's commitment to make a significant, sustainable and socially responsible contribution to Scotland, the UK and the world.

The University of Edinburgh is at the forefront of research internationally on climate change

Operational review (continued)

and the technologies and policies to mitigate the effects of climate change since 2010. It has invested more than £150 million in low carbon technology, climate-related research and businesses that directly benefit the environment. Against this backdrop, the University has announced that it will complete its transition out of fossil fuel investments within three years. The decision, approved by the University Court in May 2018, follows its commitment – made in 2016 – to become carbon neutral by 2040. The University of Edinburgh has the largest endowment fund of any university in Scotland and the third largest in the UK. It will now become the largest university endowment in the UK to be free of fossil fuel investment.

The University's business travel emissions grew by 17 per cent in 2017/18. This equates to driving over 10 million (10,000,000) miles by car. The majority of business travel emissions are due to flights.

It is important to address business travel emissions, while being mindful of the importance of international collaborations to the University's global ambitions. We are collecting the views of staff from across the University to establish what actions to recommend.

Student experience

Providing the best experience possible for all our students is a priority, and we are devising ways of ensuring that the student voice is heard more clearly than before. As part of a comprehensive review of how we can all provide more effective support, our Principal will continue to meet students across our campuses, and we are soon to appoint a

senior member of staff who will oversee all matters related to student satisfaction. We are also planning to conduct periodic reviews of these measures so that we can fully deliver on our ambitions for our students.

Building student support and services

We take a cohesive, inclusive and personalised approach to enhancing the student experience - one that encompasses all subjects, all modes of learning, all student services, and all parts of our estate.

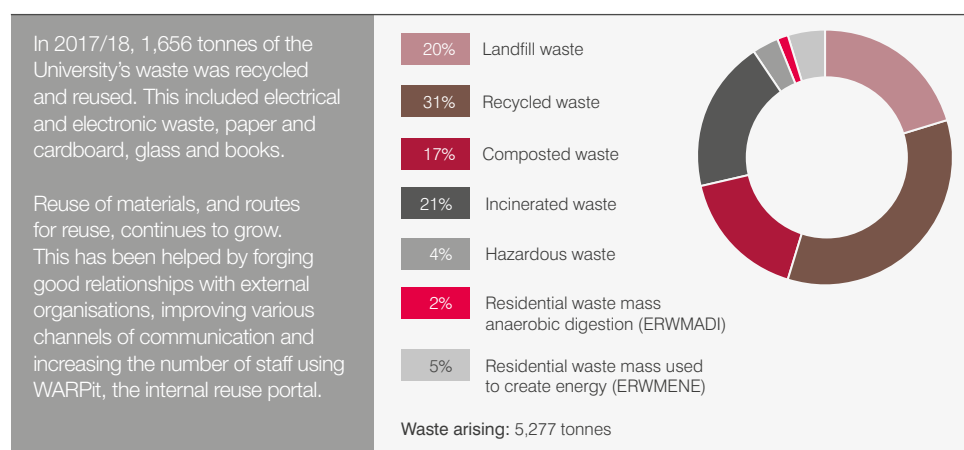
Submission of the planning application for the redevelopment of Teviot Row House is the first step in significant investment in the University estate to support enhanced provision of specialist student support. The contemporary university experience requires a holistic view of the student experience, with wellbeing, personal development and career success central to this. This is informing our approach to the development of new student services and student wellbeing centres in the Central area and to reconfigured provision on the King's Buildings campus.

The redevelopment of Murchison House, opening in 2018/19, has provided an opportunity to extend and enhance the specialist student support available on the Kings Buildings campus. As well as providing a new home for the Careers Service, it will provide a more integrated, flexible and diverse range of support services. One-to-one support including counselling, and disability and study support will be delivered from the one location. Pop-up provision will respond to particular priorities in the academic year and access to a dedicated seminar room will increase the

Key performance indicators

| | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 |
|--|------|------|------|------|------|------|
| Income (tonnes CO2e / £m) | 135 | 128 | 116 | 100 | 100 | 89.4 |
| Staff (tonnes CO2e / staff FTE) | 12.1 | 11.5 | 10.6 | 9.7 | 9.3 | 8.4 |
| Students (tonnes CO2e / student headcount) | 3.0 | 3.3 | 2.8 | 2.4 | 2.3 | 2.1 |

University waste breakdown 2017/18



Operational review (continued)

“We are launching a full review of student support including the personal tutor system in early 2019; identifying more social spaces for students to use; and together with the Students’ Association we are strengthening the student representative system and developing innovative thinking on how we can build and strengthen the sense of community for all students and staff. ”

Gavin Douglas

Deputy Secretary, Student Experience

range of workshops and industry engagement on offer. Co-location alongside learning, teaching, study and catering facilities, presents a fantastic opportunity to raise the profile of specialist student support and make these services more accessible to our students.

New services for students

Exam scheduler: A new exam timetabling service was launched for students in July 2018. This change will deliver personalised examination and resit timetables to students’ Office365 calendar for those students whose exams are scheduled by the central team. This will benefit students as they currently don’t have easy access to their exam schedule, it will reduce the number of queries the central team receive and will reduce the amount of email reminders sent to Schools about exam processes, tasks and deadlines.

Student Immigration Service: The introduction of this service will create a single expert service, bringing together immigration advice and guidance for students, institutional compliance and audit activity and operational compliance activity. The vision is to create a single service dealing with all aspects of student immigration advice, guidance and compliance at University level.

- Students will get the right answer at the first point of contact (website, email, telephone, face-to-face).
- School/College staff will get better support to enable better guidance to students when providing academic advice.
- Consistent institutional knowledge base and sharing of good practice.
- Clear governance, management and decision-making structure.
- Reduction in single points of failure.
- Improved quality of data.
- Better assurance in relation to the University’s Sponsor Licence.

Inspiring Students

A major focus on coordinated and consistent communications and engagement with students continues through the Inspiring Students campaign. Additional support is being provided to Schools from central professional services teams to facilitate these communications, emphasising the important role that student feedback plays in developments around the University, whether through a range of formal routes such as

mid-course feedback and Course Evaluation Questionnaires or more informal channels. The campaign continues to celebrate student and staff success, to highlight the investments that are being made to student support in areas such as health and wellbeing, and to showcase opportunities that are available to students across the University.

From cotton to communities to couture – the Sustainable Fashion Trek

The University has a strong commitment to internationalising the student experience and promoting student mobility. In the Enhancement-led Institutional Review students described themselves as members of an international community where opportunities to have an international experience were available both on campus and through a variety of flexible study abroad opportunities.

As part of their programme of study, 24 students from the Business School, Edinburgh College of Art and other Schools across the College of Arts, Humanities and Social Sciences recently spent seven days in Mumbai and rural Maharashtra. They met with Indian entrepreneurs, attended presentations on industry trends and visited



cotton-spinning factories in order to bring social innovation and enterprise to life in the context of India's cotton industry.

Review of Support for Disabled Students

A review of arrangements for supporting disabled students was conducted during the 2016/17 academic session with a focus on priority areas such as the implementation of adjustments and the accessibility of the estate. The move to a new system of adjustments was a key recommendation of the review and the main element of this new approach has been a change to the status of agreed adjustments from a "recommendation" to a "mandatory requirement". The University has also devised, and allocated appropriate funding for an action plan to address areas of inaccessibility which emerged from the review. Work is continuing to implement a new annual review of adjustments and an effective system to generate and execute Personal Emergency Evacuation Plans (PEEPs).

The University works with DisabledGo, the UK's leading provider of access information, to provide details about the accessibility of our buildings and facilities. Over the last year, refurbished or new buildings have been audited to make sure they are accessible,

and this practice will continue. The University and DisabledGo have produced guides that allow students, staff and visitors to make informed choices based on their own access requirements. This is now available as an App, AccessAble - UoE is available on both iOS and Android, and uses symbols, photos and descriptions to give users instant access to information about ramps, lifts and accessible toilets.

Handy features include Find a Loo, which shows the nearest accessible toilet on campus, MyWayToGo which directs you to a chosen accessible place on campus, and FindMeNow, an in-built emergency locator that sends your GPS location to your chosen emergency contact by email or SMS. These resources, together with a commitment for further work by the University to progressively improve the accessibility of the estate, will enhance our ability to allow everyone to participate in our mission in the creation, dissemination and curation of knowledge.

Equality and Diversity

The University has a strong and long-standing commitment to equality, diversity and inclusion and to promoting a positive culture which celebrates difference, challenges prejudice

and ensures fairness. Our students and staff are our greatest assets and all members of the University community should expect to be able to excel and be respected and valued for their unique perspectives and contributions.

As of 31 July 2018, 3.4 per cent (2017: 3.5 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. 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 delivering on the review focus areas, the implementation of adjustments for disabled students and accessibility of the estate.

We are committed to delivering equality of opportunity to all employees, regardless of their gender or other protected characteristics and are committed to addressing the gender pay gap that exists at the University in favour of male employees. Our overall median and

Operational review (continued)

mean pay gaps are 16.6 per cent and 13.7 per cent. The mean and median salaries for men and women in grades 1 to 9 are relatively similar; however, a gender pay gap exists within the highest pay band (grade 10). Because a greater proportion of men are employed in the higher grades, and a greater proportion of women in the lower grades (vertical segregation), this has a major influence on the University's overall pay gap.

A variety of approaches have been implemented and revised appointment and promotion policies (including strategies to increase understanding of the promotion process) continue to increase the proportion of women at grade 10. We have seen a decrease in the pay gap at grade 10¹ from 2015 figures of 11.3 per cent and 9.3 per cent (mean and median) to 7.1 per cent and 6.3 per cent respectively thanks to actions taken. Pay equality is reviewed in our biennial Equal Pay Audit & Equal Pay Statement which was last conducted in 2017.

Everyone deserves an equal opportunity to study at Edinburgh. Higher education, and a student experience at Edinburgh, has the power to transform lives, not just of those who come to study with us, but their families and communities. Building on our values, and our commitment to having a positive impact on our local and global community, we are working to ensure that students from a wide range of diverse backgrounds thrive and feel a sense of belonging.

Examples of new and exciting programmes of work across the student lifecycle strands of the strategy:

- We are developing a new schools partnership programme (YourEd), which will see us working with an identified number of secondary (and primary) schools across Scotland to deliver long term, impactful outreach and curriculum enrichment programmes to targeted groups of students.
- We have established a new part-time Access route into the University of Edinburgh (to humanities and social sciences degrees) and over the next few years we will be developing foundation and access routes into the University for further academic disciplines.
- We will be working with the college sector locally and further afield to establish routes into the University of Edinburgh for more college students.
- For the second year running, places on the widening access clearing scheme in Scotland were advertised in August 2018 and offered to applicants from the least affluent 20 percent of postcodes in Scotland (Scottish Index of Multiple

Deprivation (SIMD20)). This meant that in 2017/18, we admitted more than eight per cent of our Scottish-domiciled entrants from SIMD20 areas, an all-time high for the University.

To find out more, and to read our Dignity and Respect Policy, please visit: <http://edin.ac/2LiBYfG>.

To read our Widening Participation Strategy, please visit: <https://edin.ac/2qXxing>.

Statutory Annual Procurement Report (APR)

The Procurement Reform (Scotland) Act 2014 (PRA) requires that any publicly funded organisation which has an estimated annual regulated² spend of £5 million or more, must first develop a procurement strategy and then review it annually. This requirement took effect from 31 December 2016 with publication of key information as a minimum legal requirement.

University regulated procurement expenditure for FY 2017/18 is estimated as £200 million.

The University has published its University Procurement Strategy which is reviewed by the University Executive through its Procurement Risk Management Executives, including its subsidiary companies.

Joint Directors of Procurement Karen Bowman, FCIPS and George Sked, MCIPS are responsible for producing an agreed procurement strategy (and the APR) and have a key leadership role within University Finance, reporting to the Finance Director, Phil McNaul.

The Accountable Officer for the University of Edinburgh is formally its Principal and Vice Chancellor, Professor Peter Mathieson. Professor Mathieson took over as Principal & Vice Chancellor from Professor Sir Timothy O'Shea (MBE) in February 2018.

Under the Act (PRA) the Annual Procurement Report minimum content must reflect on the relevant reporting period and report on specific items as described in PRA and in relevant supporting statutory guidance. As a statutory report, it is made public by the Scottish Parliament.

Due to the financial years of our sector this first APR covers two periods. Thereafter an annual report will be produced.

Year 1 = 2016-2017 financial year from January 2017

Year 2 = 2017-2018 financial year (full year)

Our Annual Procurement Report addresses performance and achievements in delivering the University of Edinburgh's procurement strategy for legal compliance and its strategic impact.³



1 http://www.edinburgh.ac.uk/files/atoms/files/actions_to_address_gender_pay_gap.pdf



University Procurement Strategy

<https://www.ed.ac.uk/procurement/policies-procedures/university-procurement-strategy-annual-procurement>

Principal and Vice Chancellor

<https://www.ed.ac.uk/principals-office/principal-and-vice-chancellor-role>



2 'Regulated' procurements are those procurements with an estimated value equal to or greater than £50k (over a four-year contract period excluding VAT) for goods & services (or £2m for works excluding VAT).

3 <https://www.ed.ac.uk/procurement/policies-procedures/university-procurement-strategy-annual-procurement>

Students at the centre

Following student and public consultations held in June and November 2017, amended architectural designs for a new Student Centre have been submitted to the City of Edinburgh Council's planning department. Teviot Row House, the oldest purpose-built Students' Union in the world, will be completely refurbished and made fully accessible, keeping its unique character but improving and expanding the range of services offered.

The ambitious scheme will form a new dedicated hub for students, bringing together student services from the University and the Students' Association side by side for the first time – something students believe will help them better access the services needed to support their student life at Edinburgh.

“Students were vital in informing the design process as to how the city campus should function, and how students want to access both study and support places. Bringing together the academic, support and social aspects of a student's life will ensure that there is a real community hub for students based here. The Student Centre will be truly unique to Edinburgh, once again cementing the innovation of the students here. 🍷”

Eleri Connick

President, Edinburgh University Students' Association



Finance Director's foreword



Phil McNaul
Director of Finance

The University is in a strong, financially sustainable position with a robust value creation model driving its success.

When I became Director of Finance in 2012, I set out clear plans to change the face of Finance at the University. By simplifying the way we do things and focusing on four areas; people, processes, performance and transparency, we have laid solid foundations for excellence.

Service Excellence Programme

As a world-leading centre of academic excellence, it is essential that the University of Edinburgh continually transforms the way it works, to maintain flexible and efficient professional services that can respond effectively to changing priorities and expectations.

Last year we reported that the University was investing significantly in the Service Excellence Programme (SEP), a University-wide initiative designed to review and transform the professional services that we provide to our students and colleagues. The programme has a particular focus on ensuring that we are getting the best from the sum of our parts when colleagues in the Schools, Colleges and Professional Services Groups are all playing a part in providing a service. SEP is looking to capture efficiencies but it is also about ensuring that we are providing high quality services to students and colleagues which are simple, consistent and fit for the future.

At the end of 2016/17 the programme had delivered the Current State Assessments ('as is') and Outline Business Cases for Human Resources, Finance, Student Administration & Support, and Student Recruitment & Admissions.

The SEP Board prioritised four Programmes to progress into detailed design then implementation phases during 2017/18 (Student Administration & Support, Finance, HR and Core Systems). The following key milestones have been reached in line with the Programme plan since then:

- The HR and Finance Transformation programmes have now delivered their final blueprint and business cases. Implementation is underway including the creation of the new HR Service;
- Student Administration & Support has delivered its blueprints and final business cases for Timetabling, Exam Timetabling, Student Immigration Support and Work and Study Away; implementation is underway. Work continues on the final business case for overall Student Administration & Professional Services in the University;
- The Core Systems Procurement Strategy has been approved and competitive dialogue process has commenced;

- The Student Recruitment & Admissions Programme will be funded through the SEP Programme from August 2018, with an initial focus on the student recruitment website, enquiry management and communications.

We are pleased with the progress of this ambitious programme over the last year; we are moving in the right direction and look forward to further developments in the coming year.

Responsible investments

The University's latest assessment by the UNPRI (United Nations Principles of Responsible Investment) reflects the institution's progressive commitment to incorporate environmental, social and governance factors into investment decisions.

The University scored highly for Strategy & Governance (A+), and for general integration of Environmental, Social and Governance (ESG) in Listed Equity (A), Fixed Income (A), and Property (B). This reflects the University's holistic approach to responsible investment, and recent commitments to avoid investments in fossil fuels, controversial weapons, and tobacco. All University fund managers are signatories to the United Nations Principles for Responsible Investment (UNPRI). The University has committed £1 million investment in new social investment. This will be in the Big Issue Invest's Social Enterprise Investment Fund II (SEIF 11). <https://www.ed.ac.uk/local/news/ps1m-investment-will-be-force-for-social-good>

City Region Deal

We are constantly striving to make a long-lasting contribution to the economic and social development of the region. Our role as a key partner in the ambitious City Region Deal is an opportunity for us to contribute to the growth of our city, strengthening Edinburgh's reputation as a world-class city to live, work and study. UK Prime Minister Theresa May and Scottish First Minister Nicola Sturgeon's recent visit to the University has formally confirmed the huge contribution the University will make in the success of the City Region Deal.

Edinburgh attracted more digital technology investment in 2016 than any other UK city outside London, with £159m inward investment coming to Scotland's capital. Informatics Ventures at the University helped to drive this growth, running the highly popular Engage Invest Exploit conference and connecting investors with Scotland's tech start-ups and entrepreneurs.

We look forward to working with partners and using our world-leading expertise in data science to meet the opportunities and challenges that lie ahead.

Finance Director's foreword (continued)

Pensions dispute

A somewhat uncertain economy, including low interest rates, the high price of assets, longer life expectancies and the general outlook of lower investment returns in the future are challenging pension schemes across the UK.

In a recent valuation, the Universities Superannuation Scheme (USS) sought to establish their financial position and determine how much money needs to be paid by employers and members to enable them to provide the same benefits in the future. The valuation showed a funding deficit of £7.5 billion (at 31 March 2017) and the cost of building up defined benefits has risen by roughly a third. With interest rates having fallen relative to inflation, and the price of assets soaring, USS anticipated they would get less in investment returns than they had originally estimated.

“We have updated our policies on fossil fuels, modern slavery, and sustainable supply chains. This is another major change to our investment fund – to selectively invest in funds making a more positive contribution to environmental sustainability. ”

Phil McNaul
Director of Finance

Market conditions have compounded the challenge faced by pension scheme trustees. Falling gilt yields (which inform the actuarial assumptions) have directly impacted the forecast cost of liabilities. The most recent triennial valuation completed by the USS (in March 2017) confirmed that despite investment outperformance and implementation of changes to benefits following the previous valuation, the gap between assets and liabilities has widened.

The Joint Negotiating Committee (JNC) proposed changes to future benefits to address increasing costs but this proposition was rejected by the Unions and was followed by nationwide industrial action. As a consequence the proposal was withdrawn without an alternative being suggested. The USS Trustees, being bound by the requirement to conclude the valuation, invoked rule 76.4-8, which imposes contribution increases identified by the valuation required to maintain existing benefit levels. The rule further defines how the contribution increases will be split between

employers and members. In line with scheme rules, members were formally consulted on this proposal during September and October 2018.

Following the withdrawal of the JNC proposal, UCU and UUK (with assistance from ACAS) agreed to establish a Joint Expert Panel (JEP) to review the assumptions and method of the 2017 valuation. Both sides nominated three experts each and jointly appointed a Chair. The JEP delivered its initial report in September 2018 - the recommendations of which are being considered by both UCU and UUK at the time of writing. The expectation is that the JNC will issue a revised proposal to the USS Trustees which, if accepted, will amend the implementation of rule 76.4-8. As well as satisfying the USS Trustees the proposal must also be acceptable to the Pensions Regulator. A further statutory consultation with members would also be necessary if changes to the current plan are put forward.

Adding to the uncertainty for our staff, the events associated with this process have had unfortunate consequences for our students with many hours of teaching being withheld from their studies at critical times during the period of industrial action. This is deeply regrettable and we are working hard to ensure that highest quality of teaching is provided to our students at all times. In addition, the University is investing money in increased hardship funds and has established a Student Opportunity Fund which has awarded grants to students most impacted by the industrial action who wish to pursue further learning opportunities at the University or elsewhere. We will continue to work closely with UUK, USS and UCU to contribute to the attempts to find a solution which satisfies all concerns and removes the need for industrial action in the future.

The University is in a strong, financially sustainable position with good metrics in liquidity and solvency (see page 91).

We are aware of the key areas of focus to improve operating performance to ensure delivery of our strategy (pages 10 -11), in the context of our risk environment (pages 15 – 17). Our approach to Integrated Thinking in strategy development is reflected in this Integrated Report (page 12).

I would like to sincerely thank those at the University that I have had the pleasure to work alongside over the last six years, in particular my colleagues in the Finance Department. They are an incredibly ambitious and hard-working team who have the university's success and reputation at the heart of everything they do.

As I retire, it gives me great pleasure to welcome Lee Hamill, the new Director of Finance into the post, and I wish him well in continuing Finance's critical role in enabling the University's world class ambition.

Financial review



Financial review

Financial performance during the year shows a reduced surplus of £27.3m (2017: £56.2m). The balance sheet has strengthened with total net assets increasing to £2.2bn (2017: £2.0bn).

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.

As a key partner in the Edinburgh and South East Scotland City Region Deal, the University will benefit from a government grant of circa £230m over the life of the deal. This is the largest ever award secured by the University.

In 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 be deployed in support of our Capital Investment programme.

The funds were drawn down by the University on 30th October 2018 and will be repaid over a staged 20 to 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 102 (FRS102).

Financial Performance

The University consolidated surplus before other gains and losses has reduced to £27.3m (2017: £56.2m) reflecting investment in change projects and infrastructure refurbishment.

FRS 102 reporting requires that other 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 Income for the year of £170.9m.

| | 2018 Consolidated £m |
|--|----------------------------|
| Total income | 984.4 |
| Total expenditure | 957.1 |
| Surplus before other gains and losses | 27.3 |
| Gain on disposal of fixed assets | 0.2 |
| Gain on Investments (non cash) (1) | 42.4 |
| Surplus for the year | 69.9 |
| Actuarial gain in respect of pension schemes (non cash) (2) | 101.0 |
| Total Comprehensive Income for the Year | 170.9 |

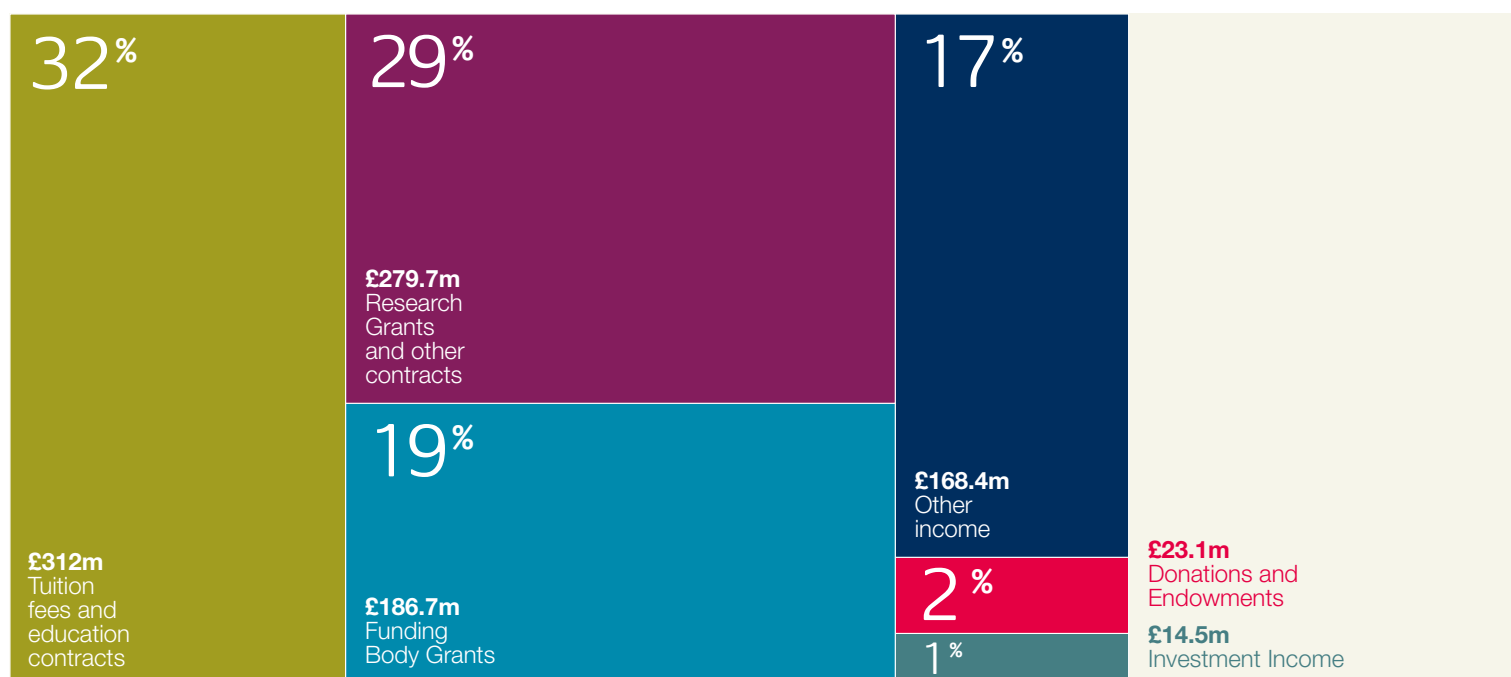
Notes to table

1. An unrealised gain which is subject to the volatility of stock market movements.

2. 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)

Sources of income 2017/18



Income

Total income in 2017/18 was £984.4m (2017: £929m). This represents an increase of six per cent from last year and is less than growth in expenditure. The largest increase in income is in tuition fees which are £312.0m (2017: £278.5m) an increase of £33.5m (12 per cent). This year shows a 4.4 per cent growth in student number headcount to 41,312 (2017: 39,575).

The funding mix for the University remains almost the same as last year with tuition fees accounting for 32 per cent (2017: 30 per cent) of the University's total income.

Research income grew by 5 per cent on the previous year to £279.7m (2017: £265.3m). This reflects the University's continued success in securing research grants and contracts. 13 per cent (2017: 12 per cent) of the total research funding was received from EU Government bodies. The University continues to closely monitor the longer-term outlook for EU research funding in the context of Brexit related issues.

£168.4m of the University's income, 17 per cent (2017: 17 per cent) is earned from other sources. This includes an eight per cent increase in income generated from Residences, catering and conferences of £71.6m (2017: £66.4).

Other income increased by seven per cent (£11.5m) on the previous year.

Expenditure

Total expenditure in 2017/18 was £957.1m (2017: £872.8m), with staff costs representing 55 per cent of the total expenditure (2017: 56 per cent).

Other operating expenses includes 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 £358.7m, a 12 per cent increase on last year. This increase reflects the growing student population and Capital programme. The University's depreciation charge increased by 29 per cent (£13.5m) to £60.2m (2017: £46.7m). This correlates directly to the University's ambitious Capital expansion plan reflecting the prior year's increased Capital spend.

Impact of pension gain

59 per cent of the total comprehensive income for the year relates to a £101.0m actuarial gain on the pension fund. The actuarial gain 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.

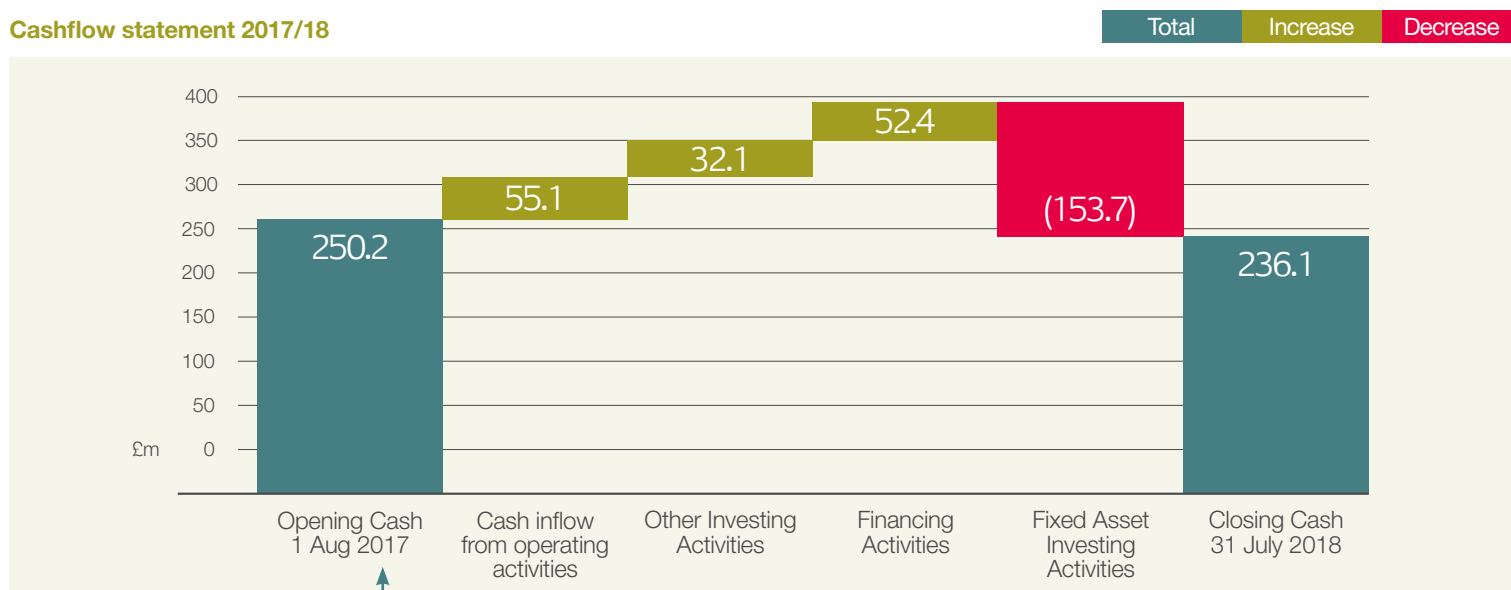
Certain assumptions are used to value the future liabilities of the pension scheme and the assets belonging to the pension scheme. These estimates reflect changes to the actuary's assumptions as a result of another years experience. The majority of the actuarial gain for the current financial year is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

| Year | 2015 | 2016 | 2017 | 2018 |
|-----------------------|----------|-----------|----------|---------|
| Actuarial (Loss)/Gain | £m (5.2) | £m (40.1) | £m (8.0) | £m 94.7 |

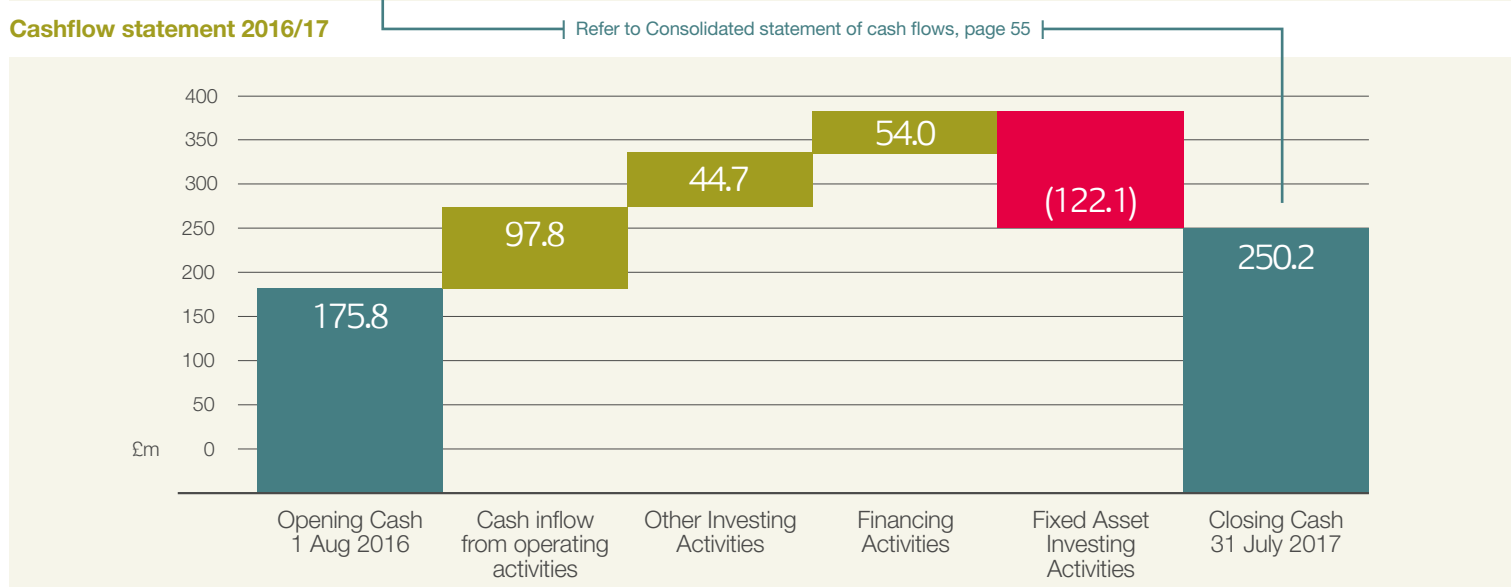
The actuarial gain or loss can vary greatly from year to year depending on the remeasurements which have taken place. The EUSBS is still in deficit – the present value of the scheme liabilities are greater than the market value of the scheme assets.

Financial review (continued)

Cashflow statement 2017/18



Cashflow statement 2016/17



Net Assets

Total Net Assets £2.2bn (2017: £2.0bn) have increased by eight per cent. This increase largely relates to increases in the market value of investments and expenditure on fixed assets. The net book value of fixed assets increased by £124m to £1.74bn (2017 £1.6bn). This is a reflection of the University's programme of estates development and equipment procurement.

Endowments

In the year to 31 July 2018, the Endowment and Investment fund unit price rose to £42.36, (31 July 2017: £39.34) representing an increase of 7.7 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.

As part of the University's commitment to deliver impact for society, this year we have invested £0.5m of £1m committed, in the Social Entrepreneurship Impact and Finance Fund (SEIF).

Outlook

The University of Edinburgh has made good progress over the last year, and we are confident that the institution is well placed financially to deal with its short and longer term commitments. While the consequences of leaving the EU are still uncertain, our continued focus on online education and international partnerships will endeavour to maintain a stable position. We are also able to manage significant change as it

arises and including compliance with the provisions of the new Scottish Code of Good Higher Education Governance 2017.

The University will continue to introduce changes to its Annual Report and Accounts to improve the quality of financial and non-financial performance reporting to its broad audience of stakeholders. These will increasingly reflect the integrated thinking, forecasting and reporting we apply internally.

Anne Richards
Vice-Convenor of Court
3 December 2018

Investing responsibly

The University of Edinburgh has moved £60m of its investments into businesses that directly benefit the environment. The money has been invested in two dedicated funds that support a cleaner, more sustainable and climate-friendly future, while not compromising on expected financial returns.

One fund invests in companies that tackle a range of sustainability issues, including the need for greener products and low-carbon infrastructure. It also backs companies that address challenges such as sourcing sustainable water, energy and food. The second fund invests in renewable technologies, directly supporting a global transition to low-carbon and renewable energy. Together these should help to mitigate the adverse impact that non-sustainable investments would bring.

The move forms part of the University's climate strategy and commitment to making a significant, sustainable, and socially responsible contribution to Scotland, the UK and the world.

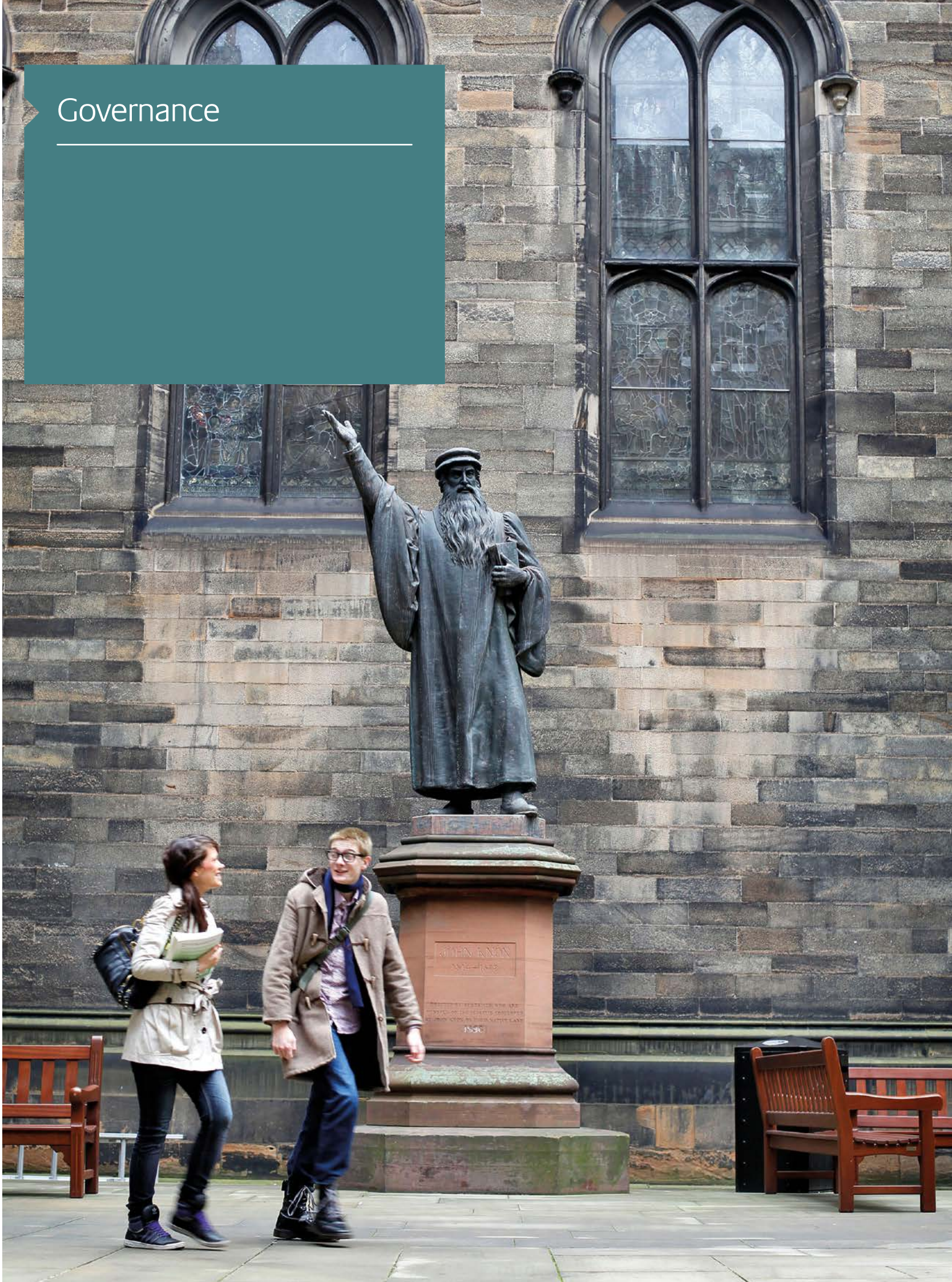
“Since we joined the Principles for Responsible Investment, we have updated our policies on fossil fuels, modern slavery, and sustainable supply chains. This is another major change to our investment fund – to selectively invest in funds making a more positive contribution to environmental sustainability.”

Phil McNaul

Director of Finance, University of Edinburgh



Governance



Corporate governance statement

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

A revised Scottish Code of Good Higher Education Governance was published in 2017 which replaced the 2013 Scottish Code of Good Higher Education Governance. The academic year 2017/18 is considered a transitional year for compliance with the 2017 Code.

In the opinion of the University Court, the University has continued to comply with all the principles of the 2013 Scottish Code of Good Higher Education Governance and is working to ensure compliance with the 2017 Code. Areas of the 2017 Code where there remains non-compliance or partial compliance are the provisions of the revised Code relating to aspects of the Higher Education Governance (Scotland) Act 2016, provisions 16, 20, 59 and 60, requiring amendment of University Ordinances and subject to the approval of the Privy Council and also provision 80.

of Court. The role of the Vice-Convenor of Court is similar to that of chair of institution in many other universities in that the Vice-Convenor is responsible for the leadership of the University Court. The Vice-Convenor 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 professional services 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.

Following Professor Sir Timothy O'Shea's retirement, Professor Peter Mathieson took office as Principal and Vice-Chancellor on 5 February 2018. The term of office for Rector Steve Morrison concluded at the end of February 2018. An election was held over 26-27 February, with two candidates standing and Ann Henderson was elected Rector from 1 March 2018. The terms of office of the two student representatives ceased at the end of the academic year 2017/18 and they were succeeded by new members. The term of office for one co-opted Court member ceased at the end of the academic year 2017/18 and a new member was recruited following an open and transparent recruitment process. Since 11 June 2018, Court has had a majority of female members for the first time in its history. 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.

Since 11 June 2018, Court has had a majority of female members for the first time in its history.

The University is taking action to address this by the Nominations Committee, which includes representatives from the main stakeholder groups on the University Court including student, Senate, General Council and co-opted members, giving careful consideration to appropriate amendments to ensure compliance with the Higher Education Governance (Scotland) Act 2016. With the assistance of the Scottish Government and Privy Council Office, the University expects to be fully compliant within the four year transitional 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 bodies in the Governance of the University: Court, Senate and General Council.

University Court

The University Court has 22 members. The Rector, who is elected by staff and students of the University, presides over meetings

Corporate governance statement (continued)

Court is committed to ensuring ethical standards in public life and in 2017/18 updated its Code of Conduct to reference the nine Principles of Public Life in Scotland, which incorporate the Nolan Principles, in compliance with the revised Governance Code. On joining Court, members are required to sign a statement confirming that they will comply with the University's Code of Conduct. 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/about/sustainability/about/programmes/fairness-trade-sustainable-procurement/modern-slavery/statement

Court has established a Remuneration Committee to determine the salary and terms of conditions of the Principal and senior members of staff and approves its Framework for Decision Making which sets out policy and principles that determine these, including performance and benchmarking using established independent sources. The Framework can be found here: www.ed.ac.uk/files/atoms/files/remuneration_committee_framework.pdf

Court met on five occasions during 2017/18 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 September 2017 and in June 2018. In April 2018, Court held its annual 'Meet the Court' event, held at different campuses around the University, at which the Principal, Vice-Convener 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 December 2017, Court approved the final progress report on the Strategic Plan 2012-2016 and an overview of progress against the performance measures in the Strategic Plan 2016.

During 2017/18, as well as the more routine items, Court considered the following:

- As part of its 'Zero by 2040' carbon neutral goal the University will cease to invest in fossil fuels as soon as practicable in the next three years, building on the previous Court commitment in 2015 to divest in companies involved in coal and tar sand extraction.
- Approval of the guiding principles for the Widening Access Strategy, to ensure the University continues to lead the sector through a clear articulation of our commitment to increasing participation and outcomes for students from a diverse range of backgrounds.
- Approval of the Edinburgh College of Art Masterplan, setting out our vision to meet the future growth aspirations of the ECA following the acquisition of the former Fire Station on Lauriston Place, creating a new exhibition and performance space for engagement with the public and the city.
- An update to the Estates Funding Strategy to fund the emerging priorities of the estates capital plan.

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

During 2017/18, Court undertook an annual review of its effectiveness, which included mapping out assurances and providing evidence on compliance with Court's Statement of Primary Responsibilities and with the Scottish Code of Good Higher Education Governance as well as an anonymised survey of Court members' views. An external review of Court's effectiveness has been commissioned to take place in 2018/19.

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. Further information on the Senatus Academicus can be found at: <http://www.ed.ac.uk/academic-services/committees/senate>

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



Setting out our vision to meet the future growth aspirations of the ECA



An update to the Estates Funding Strategy



The University will cease to invest in fossil fuels as soon as practicable in the next three years



Approval of the guiding principles for the Widening Access Strategy



Further information on our Chancellor
<https://www.ed.ac.uk/about/people/officials/chancellor>

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.

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.

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

Convener: Professor Jeremy Bradshaw, Assistant Principal

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.

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. It is also responsible for election of the Chancellor and three Court Assessors. 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 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. The University's Risk Register focuses primarily on risks related to the

attainment of the University's strategic objectives and identifies responsibility for the overall management of each risk. This aligns to the University Strategic Plan. During 2017/18 the University Risk Register was regularly reviewed by the Risk Management Committee and following consideration by the University Executive and the Audit and Risk Committee, the University Risk Register 2018/19 was approved by Court on 18 June 2018. The Statement of Risk Policy and Risk Appetite, which specifies the amount of risk the University is willing to seek or accept in pursuit of its long term objectives, is reviewed annually and approved by Court on the recommendation of the Audit and Risk Committee and can be viewed at: www.docs.sasg.ed.ac.uk/GaSP/Governance/AuditandRisk/RiskAppetiteStatement2018.pdf

College, professional services and subsidiary company risk registers ensure key operational risks are identified and managed by the relevant sub-organisation within the University. All major projects have risk registers, and risk assessment is incorporated into planning and decision-making processes: risk assessment training and awareness are promoted through the management structure. The University's major risks are regularly reviewed and there are year-end processes to obtain further assurances on the adequacy of the management of key risks and to document the sources of assurances for each major risk.

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 Audit and Risk Committee considered the Internal Audit opinion on risk management at its meeting on 22 November 2018 and expressed itself satisfied with the outcome.

By its 3 December 2018 meeting, Court had received the Audit and Risk Committee Report for the year ended 31 July 2018 and information from the Risk Management Committee; it also had taken account of relevant events since 31 July 2018. During 2017/18, 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 2018.

- 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, and Scottish Funding Council).

Charitable status

The University had charitable status (No. SC005336) under the legislative framework operative throughout the 2017/18 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.

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. The operations of the Development Trust were reviewed in 2016/17, with the University Court accepting the recommendations of the review, that: new philanthropic donations will be made directly to the University from a future date; that the Development Trust is retained, primarily to receive legacy pledges, and is streamlined; and that the University Court accepts an oversight function in relation to the University's philanthropic and alumni relations activity.

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 2018, income and expenditure, assets, liquidity and cash flows are set out in more detail in the Notes to the Financial Statements.

The University Court is responsible for the University's system of internal control and for reviewing its effectiveness.

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 2017/18 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 recognising the internal audit team faced a number of challenges last year which are being actively addressed;
- The Risk Management Committee's Annual Report 2017/18 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

Corporate governance statement (continued)

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 2017/18.

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 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-Convenor of Court
3 December 2018

Solving global challenges

In May 2018, the University of Edinburgh hosted the second Planetary Health Conference, building upon the successful inaugural Planetary Health Meeting in Boston in 2017. The University was a key partner in the organisation of the conference, along with the Planetary Health Alliance, the American Geophysical Union, the Wellcome Trust and many others. The conference brought together new communities from around the world to stimulate interdisciplinary and intersectoral collaboration towards ground-breaking solutions to major planetary health challenges.

The objective of the conference was to examine how the health impacts of various global environmental changes manifest in regional settings and to highlight emerging responses to planetary health issues. By engaging with researchers, policy makers, planners and local communities who experience these planetary health impacts, the conference aims to progress tailored policies built on action-focused research and innovations across sectors. Through gathering a diverse group in-person and via small regional satellite sessions, we will expand the global reach and perspective of the planetary health community in pursuit of advancing planetary health solutions.

To read more about The Planetary Health Conference 2018, please visit: <https://www.ed.ac.uk/about/sustainability/news/2018-planetary-health-meeting>



Corporate governance statement (continued)

| University Court | | Court meetings attended | Committee memberships 2017/18 | Committee memberships 2018/19 |
|---|---|-------------------------|-------------------------------|-------------------------------|
| Rector | | | | |
| Presides at meetings of Court | Steve Morrison (to 28 February 2018) | 3/3 | | |
| | Ann Henderson (from 1 March 2018) | 2/2 | | |
| Principal and Vice-Chancellor | Professor Sir Timothy O'Shea (to 4 February 2018) | 2/2 | CB PRC EXC NC | |
| | Professor Peter Mathieson (from 5 February 2018) | 3/3 | CB PRC EXC NC | CB PRC EXC NC |
| Chancellor's Assessor | | | | |
| Nominated by Chancellor | Sheriff Principal Edward F Bowen | 5/5 | CB | CB |
| General Council Assessors | | | | |
| Three Assessors elected by General Council for terms of office of four years | Dr Alan Brown | 5/5 | ARC CB | ARC CB |
| | Ritchie Walker | 3/5 | KSC | KSC |
| | Doreen Davidson | 5/5 | CB 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 | 5/5 | NC | NC |
| | Professor Elizabeth Bomberg | 4/5 | | |
| | Professor Sarah Cooper | 5/5 | PRC EXC | PRC EXC |
| | Dr Claire Phillips | 4/5 | KSC CB | |
| City of Edinburgh Council Assessor | | | | |
| One Assessor nominated by City of Edinburgh Council | The Rt Hon Frank Ross | 5/5 | CB | 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 | 5/5 | PRC EC IC | PRC EC IC |
| | Dr Robert Black | 5/5 | ARC NC | ARC NC |
| | Dr Frank Armstrong | 5/5 | PRC | PRC |
| | Alison Grant | 4/5 | PRC KSC | |
| | Perdita Fraser | 5/5 | ARC | ARC |
| | Susan Rice | 4/5 | 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 | | CB |
| Student Members | | | | |
| Annually nominated by the EUSA from among sabbatical officers | Patrick Kilduff (to 10 June 2018) | 4/4 | EXC PRC NC | |
| | Esther Dominy (to 10 June 2018) | 4/4 | | |
| | Eleri Connick (from 11 June 2018) | 1/1 | EXC PRC NC | |
| | Kai O'Doherty (from 11 June 2018) | 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: <http://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) | 6/6 |
| | Perdita Fraser | 6/6 |
| | Dr Robert Black | 6/6 |
| | Dr Alan Brown | 4/6 |
| External Members | | |
| Appointed through an open advertisement and interview process | Bindesh Savjani | 4/6 |
| | Jim Bishop | 4/6 |

| Nominations Committee | | Meetings attended |
|--------------------------|------------------------------|-------------------|
| Ex-officio Members | | |
| The Principal | Professor Sir Timothy O'Shea | 1/2 |
| | Professor Peter Mathieson | 1/1 |
| Vice-Convener of Court | Anne Richards (Convener) | 3/3 |
| University Secretary | Sarah Smith | 3/3 |
| Senate Assessor | Professor Sandy Tudhope | 2/3 |
| General Council Assessor | Doreen Davidson | 2/3 |
| Lay Members of Court | Dr Robert Black | 2/3 |
| | Susan Rice | 1/3 |
| Student Member of Court | Patrick Kilduff | 3/3 |

| Policy and Resources Committee | | Meetings attended |
|-------------------------------------|--|-------------------|
| Ex-officio Members | | |
| The Principal | Professor Sir Timothy O'Shea (to 4/2/18) | 2/3 |
| | Professor Peter Mathieson (from 5/2/18) | 3/3 |
| Vice-Convener of Court | Anne Richards (Convener) | 6/6 |
| University Secretary | Sarah Smith | 6/6 |
| Senate Assessor | Professor Sarah Cooper | 3/6 |
| Vice Principal Planning & Resources | Professor Jonathan Seckl | 4/6 |
| General Council Assessor | Doreen Davidson | 6/6 |
| Lay Members of Court | David Bentley | 5/6 |
| | Susan Rice | 4/6 |
| | Dr Frank Armstrong | 4/6 |
| | Alison Grant | 5/6 |
| Student Member of Court | Patrick Kilduff | 5/5 |
| | Eleri Connick | 1/1 |

| Knowledge Strategy Committee | | Meetings attended |
|------------------------------|--------------------------------------|-------------------|
| Ex-officio Member | | |
| Chief Information Officer | Gavin McLachlan | 4/4 |
| EUSA Representative | Bobbi Archer | 3/4 |
| Members of Court | Doreen Davidson (Convener) | 4/4 |
| | Ritchie Walker | 4/4 |
| | Alison Grant | 2/4 |
| | Dr Claire Phillips | 4/4 |
| Members of Senate | Professor Charlie Jeffery | 2/4 |
| | Professor Tina Harrison | 4/4 |
| | Professor Alan Murray | 1/4 |
| | Professor Sian Bayne/Melissa Highton | 3/4 |
| | Professor Jeremy Bradshaw | 1/2 |

| Remuneration Committee | | Meetings attended |
|------------------------|-----------------------|-------------------|
| Ex-officio Member | | |
| Vice-Convener of Court | Anne Richards | 2/2 |
| Lay Members of Court | Susan Rice (Convener) | 2/2 |
| | Alan Johnston | 2/2 |
| | Doreen Davidson | 2/2 |

| Exception Committee | | Meetings attended |
|--|----------------------------------|-------------------|
| Ex-officio Members | | |
| The Principal | Professor Sir Timothy O'Shea | |
| | 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 | Patrick Kilduff Eleri Connick | |

Full details of terms of reference and Committee membership are published on the University's website at:
<http://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 2018 and of the group's and university's income and expenditure and 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 regulation 14 of the Charities Accounts (Scotland) Regulations 2006 (as amended).

We have audited the financial statements, included within the Annual Report and Accounts (the "Annual Report"), which comprise the Consolidated and University Balance Sheet as at 31 July 2018; 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 summary of significant accounting policies and other explanatory information.

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

We have nothing to report in respect of the following matters in relation to which ISAs (UK) require us to report to you when:

- the Court's 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.

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.

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 statement of 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, 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.

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

Other required reporting

Auditors' responsibilities for the audit of the financial statements

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

Our 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 Court in accordance with section 44(1)(c) of the Charities and Trustee Investment (Scotland) Act 2005 and 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:

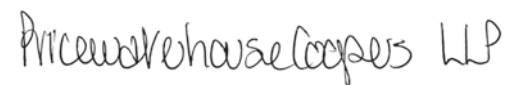
- the requirements of the Scottish Funding Council's accounts direction have been met;
- funds from whatever source administered by the parent institution for specific purposes have been properly applied to those purposes and, if relevant, managed in accordance with relevant legislation and any other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

Sufficiency of accounting records and information and explanations received

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
3 December 2018

Consolidated and University statement of comprehensive income and expenditure

For the year ended 31 July 2018

| | | 2018 | | 2017 | |
|---|------|--------------------|------------------|--------------------|------------------|
| | Note | Consolidated £m | University £m | Consolidated £m | University £m |
| Income | | | | | |
| Tuition fees and education contracts | 3 | 312.0 | 312.0 | 278.5 | 278.5 |
| Funding body grants | 4 | 186.7 | 186.7 | 191.9 | 191.9 |
| Research income | 5 | 279.7 | 279.7 | 265.3 | 265.3 |
| Other income | 6 | 168.4 | 142.1 | 156.9 | 133.4 |
| Investment income | 7 | 14.5 | 14.6 | 14.5 | 14.9 |
| Donations and endowments | 8 | 23.1 | 13.9 | 21.9 | 22.0 |
| Total income | | 984.4 | 949.0 | 929.0 | 906.0 |
| Expenditure | | | | | |
| Staff costs | 9 | 521.4 | 505.3 | 492.6 | 477.8 |
| Other operating expenses | 10 | 358.7 | 350.1 | 319.0 | 309.9 |
| Depreciation | 13 | 60.2 | 59.1 | 46.7 | 45.2 |
| Interest and other finance costs | 11 | 16.8 | 16.8 | 14.5 | 14.5 |
| Total expenditure | | 957.1 | 931.3 | 872.8 | 847.4 |
| Surplus before other gains and losses | | 27.3 | 17.7 | 56.2 | 58.6 |
| Gain on disposal of fixed assets | | 0.2 | 0.2 | 8.0 | 8.0 |
| Gain on investments | 15 | 42.4 | 41.2 | 66.2 | 66.0 |
| Surplus for the year | | 69.9 | 59.1 | 130.4 | 132.6 |
| Actuarial gain/(loss) in respect of pension schemes | 20 | 101.0 | 101.0 | (5.1) | (5.1) |
| Total comprehensive income for the year | | 170.9 | 160.1 | 125.3 | 127.5 |
| Represented by: | | | | | |
| Unrestricted comprehensive income for the year | | 130.2 | 128.3 | 68.8 | 70.8 |
| Endowment comprehensive income for the year | 21 | 32.0 | 32.0 | 49.3 | 49.3 |
| Restricted comprehensive income for the year | 22 | 8.7 | (0.2) | 7.2 | 7.4 |
| | | 170.9 | 160.1 | 125.3 | 127.5 |

Consolidated and University statement of changes in reserves

For the year ended 31 July 2018

Consolidated

| | Income and expenditure account | | | Revaluation reserve £m | Total £m |
|---|--------------------------------|------------------|--------------------|---------------------------|----------------|
| | Endowment £m | Restricted £m | Unrestricted £m | | |
| Balance 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 |
| Balance at 31 July 2018 | 424.1 | 56.9 | 1,528.0 | 207.8 | 2,216.8 |

| | Income and expenditure account | | | Revaluation reserve £m | Total £m |
|---|--------------------------------|------------------|--------------------|---------------------------|----------------|
| | Endowment £m | Restricted £m | Unrestricted £m | | |
| Balance at 1 August 2016 | 342.8 | 41.0 | 1,329.0 | 207.8 | 1,920.6 |
| Surplus from the income and expenditure statement | 49.3 | 33.6 | 47.5 | - | 130.4 |
| Other comprehensive expense | - | - | (5.1) | - | (5.1) |
| Release of restricted capital funds spent in year | - | (26.4) | 26.4 | - | - |
| Total comprehensive income | 49.3 | 7.2 | 68.8 | - | 125.3 |
| Balance at 31 July 2017 | 392.1 | 48.2 | 1,397.8 | 207.8 | 2,045.9 |

University

| | Income and expenditure account | | | Revaluation reserve £m | Total £m |
|---|--------------------------------|------------------|--------------------|---------------------------|----------------|
| | Endowment £m | Restricted £m | Unrestricted £m | | |
| Balance 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 |
| Balance at 31 July 2018 | 424.1 | 22.8 | 1,515.1 | 207.8 | 2,169.8 |

| | Income and expenditure account | | | Revaluation reserve £m | Total £m |
|---|--------------------------------|------------------|--------------------|---------------------------|----------------|
| | Endowment £m | Restricted £m | Unrestricted £m | | |
| Balance at 1 August 2016 | 342.8 | 15.6 | 1,316.0 | 207.8 | 1,882.2 |
| Surplus from the income and expenditure statement | 49.3 | 33.8 | 49.5 | - | 132.6 |
| Other comprehensive expense | - | - | (5.1) | - | (5.1) |
| Release of restricted capital funds spent in year | - | (26.4) | 26.4 | - | - |
| Total comprehensive income for the year | 49.3 | 7.4 | 70.8 | - | 127.5 |
| Balance at 31 July 2017 | 392.1 | 23.0 | 1,386.8 | 207.8 | 2,009.7 |

Consolidated and University balance sheet

As at 31 July 2018

| | | 2018 | | 2017 | |
|---|---------|--------------------|------------------|--------------------|------------------|
| | Note | Consolidated £m | University £m | Consolidated £m | University £m |
| Non-current assets | | | | | |
| Fixed assets | 13 | 1,741.1 | 1,732.8 | 1,617.0 | 1,607.6 |
| Heritage assets | 13 & 14 | 212.8 | 212.8 | 212.2 | 212.2 |
| Investments | 15 | 570.8 | 573.7 | 530.6 | 535.5 |
| | | 2,524.7 | 2,519.3 | 2,359.8 | 2,355.3 |
| Current assets | | | | | |
| Stock | | 3.5 | 2.7 | 3.6 | 2.9 |
| Trade and other receivables | 16 | 132.7 | 119.1 | 122.0 | 111.8 |
| Investments | 17 | 180.0 | 180.0 | 195.0 | 195.0 |
| Cash and cash equivalents | 24 | 236.1 | 225.2 | 250.2 | 221.3 |
| | | 552.3 | 527.0 | 570.8 | 531.0 |
| Creditors: amounts falling due within one year | 18 | (310.5) | (326.8) | (304.5) | (296.4) |
| Net current assets | | 241.8 | 200.2 | 266.3 | 234.6 |
| Total assets less current liabilities | | | | | |
| | | 2,766.5 | 2,719.5 | 2,626.1 | 2,589.9 |
| Creditors: amounts falling due after more than one year | 19 | (386.4) | (386.4) | (319.4) | (319.4) |
| Pension provisions | 20 | (163.3) | (163.3) | (260.8) | (260.8) |
| Total net assets | | 2,216.8 | 2,169.8 | 2,045.9 | 2,009.7 |
| Restricted reserves | | | | | |
| Income and expenditure reserve - endowment reserves | 21 | 424.1 | 424.1 | 392.1 | 392.1 |
| Income and expenditure reserve - restricted reserves | 22 | 56.9 | 22.8 | 48.2 | 23.0 |
| Unrestricted reserves | | | | | |
| Income and expenditure reserve - unrestricted reserves | | 1,528.0 | 1,515.1 | 1,397.8 | 1,386.8 |
| Revaluation reserve | 23 | 207.8 | 207.8 | 207.8 | 207.8 |
| Total reserves | | 2,216.8 | 2,169.8 | 2,045.9 | 2,009.7 |

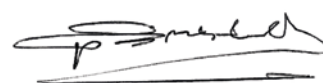
The financial statements on pages 52 to 87 were adopted by Court on 3 December 2018 and were signed on its behalf by:



Professor Peter Mathieson
Principal and Vice-Chancellor



Anne Richards
Vice-Convener of Court



Phil McNaul
Director of Finance

Consolidated statement of cash flows

For the year ended 31 July 2018

| | Note | 2018 £m | 2018 £m | 2017 £m |
|---|---------|------------|------------|------------|
| Cash flow from operating activities | | | | |
| Surplus for the year | | | 69.9 | 130.4 |
| Adjustments for non-cash items | | | | |
| Depreciation | 13 | 60.2 | | 46.7 |
| Gain on investments | 15 | (42.4) | | (66.2) |
| (Decrease) in pension provision | 20 | (1.4) | 16.4 | (2.3) |
| Adjustments for working capital items | | | | |
| Decrease/(increase) in stock | | 0.1 | | (0.3) |
| (Increase)/decrease in debtors | 16 | (10.7) | | 12.1 |
| Increase in creditors and accruals | 18 & 19 | 22.5 | 11.9 | 29.6 |
| Adjustments for investing or financing activities | | | | |
| Investment income | 7 | (14.5) | | (14.5) |
| Interest payable | 11 | 16.8 | | 14.3 |
| New endowments received | 21 | (1.4) | | (1.7) |
| Profit on the sale of fixed assets | | (0.2) | | (8.0) |
| Capital grant income | | (43.8) | (43.1) | (42.3) |
| Net cash inflow from operating activities | | | 55.1 | 97.8 |
| Cash flows from fixed asset investing activities | | | | |
| Proceeds from sales of fixed assets | | 1.7 | | 23.7 |
| Capital grant receipts | | 43.8 | | 42.3 |
| Payments made to acquire fixed assets | | (199.2) | (153.7) | (188.1) |
| Cash flows from other investing activities | | | | |
| Investment income | 7 | 14.5 | | 14.5 |
| Disposal of non-current asset investments | 15 | 5.1 | | 105.7 |
| Payments made to acquire non-current asset investments | 15 | (2.9) | | (99.3) |
| Decrease in cash on deposit | 17 | 15.0 | | 23.1 |
| Lump sum pension contribution to EUSBS | 20 | (1.0) | | (1.0) |
| New endowment cash received | 21 | 1.4 | 32.1 | 1.7 |
| Net cash outflow from investing activities | | | (121.6) | (77.4) |
| Cash flows from financing activities | | | | |
| Interest paid | 20 | (10.8) | | (9.0) |
| Interest element of finance lease payments | 11 | (0.1) | | (0.1) |
| New unsecured loans | 19 | 66.7 | | 67.0 |
| Repayments of amounts borrowed | 19 | (3.2) | | (3.7) |
| Capital element of finance lease payments | | (0.2) | 52.4 | (0.2) |
| Net cash inflow from financing activities | | | 52.4 | 54.0 |
| (Decrease)/increase in cash and cash equivalents in the year | | | (14.1) | 74.4 |
| Cash and cash equivalents at beginning of the year | 24 | | 250.2 | 175.8 |
| Cash and cash equivalents at end of the year | 24 | | 236.1 | 250.2 |

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 (SORP): Accounting for Further and Higher Education (2015) 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 2018. 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 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.

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 period in which students are studying. Where the amount of the tuition fee is reduced by a discount for prompt payment, income receivable is shown net of the discount.

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

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 accounts.

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.

Notes to the financial statements (continued)

Accounting for retirement benefits

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). 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 shares 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 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 would expect 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 minimum 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 retranslated 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 retranslated 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 buildings under construction are shown at cost less any accumulated depreciation. The cost of renovating, upgrading or converting buildings is

Notes to the financial statements (continued)

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.

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 15 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

Utilities Supply 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 fair value. Investments in subsidiary companies are shown at the lower of cost or net realisable value.

Investment in associates, if material, is 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 the lower of cost and net realisable 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 <https://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. <https://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,

Notes to the financial statements (continued)

is a charity within the meaning of Section 506 (1) of the Income and Corporation Taxes Act 1988. The University is recognised as a charity by HM Revenue & Customs and is recorded on the index of charities maintained by the Office of Scottish Charity Regulator. It is therefore a charity within the meaning of Para 1 of schedule 6 to the Finance Act 2010 and accordingly, the University is potentially exempt from 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.

2. Estimates And Judgements

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.

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.

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 this classification. As part of the agreement, the issuers of the debt, who are based in the US, have entered into a 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.

Key sources of estimation uncertainty

FRS 102 requires that assumptions used in the

calculation of liabilities are disclosed as they may represent a source of material uncertainty. In the preparation of the consolidated financial statements, management has made judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the balance sheet date and the amounts reported for revenues and expenses during the year. Any estimates, assumptions and judgements that have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities within the financial statements within the next financial year are addressed below. Actual results may differ from these estimates. Estimates and underlying assumptions are regularly reviewed.

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 2014 deficit valuation. The 2014 valuation was the third valuation for USS under the scheme-specific funding regime introduced by the Pensions Act 2004, which requires schemes to adopt a statutory funding objective, which is to have sufficient and appropriate assets to cover their technical provisions.

Holiday earned but not taken and other employee benefits provision

The employee leave accrual is calculated from a sample of employee holidays earned, but not taken, at the balance sheet date of 31 July 2018. 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 judgement 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.

Notes to the financial statements (continued)

3. Tuition Fees And Education Contracts

| | Consolidated and University | |
|---|-----------------------------|------------|
| | 2018 £m | 2017 £m |
| Scotland & EU fees | 58.4 | 53.7 |
| Rest of UK (RUK) | 61.3 | 55.4 |
| Non-EU fees | 168.1 | 150.3 |
| Research training support grants | 17.8 | 15.5 |
| Short course and other fees and support grants (non-credit bearing) | 6.4 | 3.6 |
| | 312.0 | 278.5 |

Tuition fees and education contracts

Undergraduate (UG) numbers (full time equivalents) increased by four per cent, (782). Undergraduate fee income rose by £17m, driving up the average fee for UG students by 6.7 per cent. Postgraduate Taught (PGT) numbers (full time equivalent) increased by 6.5 per cent. PGT fees income rose by £8.9m driving up the average fee income by four per cent.

4. Funding Body Grants

| | Consolidated and University | |
|---|-----------------------------|------------|
| | 2018 £m | 2017 £m |
| SFC recurrent grants | | |
| Teaching | 65.6 | 64.7 |
| Research and knowledge exchange | 85.4 | 89.2 |
| SFC specific grants | | |
| Strategic funding: UK Research Partnership Investment Fund (RPIF) | 6.2 | 3.1 |
| Capital maintenance grants | 16.7 | 18.0 |
| Ring-fenced grants funded by Scottish Government | - | 6.5 |
| Other grants | 12.8 | 10.4 |
| | 186.7 | 191.9 |

Funding body grants

Research Excellence Grant fell by an expected £4m, bringing the cumulative total cut over three years to £17.8million. We have, however received increased funding for Strategic purposes, with RPIF funding for building projects, double the previous year. Other grants for restricted purposes are increased by £2.4m, as project conditions are fulfilled.

5. Research Income

| | Consolidated and University | | | 2017 Total £m |
|--|-----------------------------|---------------|---------------------|---------------------|
| | Capital £m | Revenue £m | 2018 Total £m | |
| Research grants and contracts | | | | |
| Research Councils | 12.6 | 103.7 | 116.3 | 117.4 |
| UK based charities | 1.5 | 57.9 | 59.4 | 58.1 |
| UK central government bodies, local and health authorities | 4.6 | 25.7 | 30.3 | 26.4 |
| UK industry, commerce and public corporations | - | 9.6 | 9.6 | 7.8 |
| EU government bodies | 0.4 | 35.8 | 36.2 | 31.9 |
| EU other | - | 4.4 | 4.4 | 3.4 |
| Other overseas | - | 16.1 | 16.1 | 11.1 |
| Other sources | 0.1 | 7.3 | 7.4 | 9.2 |
| Total research grants and contracts | 19.2 | 260.5 | 279.7 | 265.3 |

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

| | 2018 | | 2017 | |
|-------------------------|--------------------|------------------|--------------------|------------------|
| | Consolidated £m | University £m | Consolidated £m | University £m |
| Residences and catering | 71.6 | 53.9 | 66.4 | 50.2 |
| Other revenue grants | 14.1 | 14.1 | 11.9 | 11.9 |
| Other Services | 33.6 | 28.1 | 28.7 | 24.4 |
| Health authorities | 14.8 | 14.8 | 14.9 | 14.9 |
| Other income | 34.3 | 31.2 | 35.0 | 32.0 |
| | 168.4 | 142.1 | 156.9 | 133.4 |

Residences and catering income

Residences and catering income is mainly from student accommodation rental.

Other revenue grants

Other grants are those which are not from the Scottish Funding Council (SFC) for example Wellcome Trust.

Other services

Other services income includes consultancy, vet services and computer services.

Health authorities

This income covers salaries for health and hospital funded posts.

Other income

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

7. Investment Income

| | Note | 2018 | | 2017 | |
|-----------------------------------|------|--------------------|------------------|--------------------|------------------|
| | | Consolidated £m | University £m | Consolidated £m | University £m |
| Income from expendable endowments | 21 | 5.9 | 5.8 | 5.7 | 5.7 |
| Income from permanent endowments | 21 | 2.9 | 2.9 | 2.8 | 2.8 |
| Other investment income | | 3.0 | 3.1 | 2.6 | 2.6 |
| Other interest receivable | | 2.7 | 2.8 | 3.4 | 3.8 |
| | | 14.5 | 14.6 | 14.5 | 14.9 |

Investment income

Income from the Endowment and Investment Fund (EIF) was £11.8m; £8.8m related to endowment and £3m to treasury funds; a return of 2.2 per cent. However, including the 7.7 per cent increase in market value, the overall return on the EIF was 9.8 per cent.

8. Donations and Endowments

| | Note | 2018 | | 2017 | |
|-----------------------------|------|--------------------|------------------|--------------------|------------------|
| | | Consolidated £m | University £m | Consolidated £m | University £m |
| New endowments | 21 | 1.4 | 1.4 | 1.7 | 1.7 |
| Donations with restrictions | 22 | 19.6 | 10.4 | 16.2 | 16.3 |
| Unrestricted donations | | 2.1 | 2.1 | 4.0 | 4.0 |
| | | 23.1 | 13.9 | 21.9 | 22.0 |

Donations and endowments

Most donations are restricted and the bulk are for scholarships. The Development Trust donations include £10m for the Edinburgh Futures Institute.

Notes to the financial statements (continued)

9. Staff Costs

| | 2018 | | 2017 | |
|---|--------------------|------------------|--------------------|------------------|
| | Consolidated £m | University £m | Consolidated £m | University £m |
| Salaries | 385.8 | 372.6 | 367.0 | 354.8 |
| Social security costs | 40.8 | 39.6 | 37.1 | 36.1 |
| Pension costs (note 31) | 92.8 | 91.1 | 91.3 | 89.8 |
| Movement on USS pension provision | (0.7) | (0.7) | (4.9) | (4.9) |
| Other unfunded pension costs | - | - | 0.1 | 0.1 |
| Severance costs | 2.7 | 2.7 | 2.0 | 1.9 |
| | 521.4 | 505.3 | 492.6 | 477.8 |
| Analysis of the above costs by activity: | | | | |
| Academic/ teaching departments | 284.9 | 284.9 | 267.0 | 267.0 |
| Research grants and contracts | 115.7 | 115.7 | 113.6 | 113.6 |
| Library, computer and other academic support services | 31.5 | 31.5 | 30.6 | 30.6 |
| Administration and central services | 43.5 | 43.5 | 40.3 | 40.3 |
| Premises | 19.9 | 19.9 | 18.6 | 18.6 |
| Other including income-generating operations | 8.5 | - | 7.8 | - |
| Residences and catering operations | 15.4 | 7.8 | 14.4 | 7.5 |
| Unfunded pensions | - | - | 0.1 | 0.1 |
| Severance costs | 2.7 | 2.7 | 2.0 | 1.9 |
| Pension service costs and USS provision in excess of scheme contributions payable (note 31) | (0.7) | (0.7) | (1.8) | (1.8) |
| | 521.4 | 505.3 | 492.6 | 477.8 |

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

| | 2018 | | 2017 | |
|--|--------------|------------|--------------|------------|
| | Consolidated | University | Consolidated | University |
| Academic / teaching departments | 5,094 | 5,094 | 4,826 | 4,826 |
| Academic / teaching services | 737 | 737 | 721 | 721 |
| Research grants and contracts | 2,173 | 2,173 | 2,135 | 2,135 |
| Administration and central services | 968 | 968 | 895 | 895 |
| Premises | 724 | 724 | 690 | 690 |
| Residences and catering operations | 604 | 604 | 584 | 584 |
| Other including income-generating operations | 154 | - | 136 | - |
| | 10,454 | 10,300 | 9,987 | 9,851 |
| Staff on open-ended contracts | 7,494 | 7,369 | 7,136 | 7,026 |
| Staff on fixed-term contracts | 2,576 | 2,547 | 2,499 | 2,473 |
| Staff on guaranteed hours contracts | 384 | 384 | 352 | 352 |
| | 10,454 | 10,300 | 9,987 | 9,851 |

Staff costs

Staff costs grew by six per cent, three per cent, due to volume increases, and three per cent increase in salary costs. The pay award was 1.1 per cent and the remaining 1.9 per cent reflects incremental drift and change in the mix of staff.

Incremental drift is the result of staff automatically progressing to higher salary levels within their grade bands annually on 1 August.

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.

3.37 per cent (2017: 3.5 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:

| | 2018 | | 2017 | |
|---|--------------|------------|--------------|------------|
| | Consolidated | University | Consolidated | University |
| Staff on open-ended contracts | 8,538 | 8,408 | 8,198 | 8,084 |
| Staff on fixed-term contracts | 3,039 | 3,009 | 2,895 | 2,867 |
| Staff on guaranteed hours contracts | 3,440 | 3,440 | 3,193 | 3,193 |
| | 15,017 | 14,857 | 14,286 | 14,144 |
| Percentage of staff on fixed-term contracts | 20.24% | 20.25% | 20.26% | 20.27% |

Emoluments of the Principal - Professor O'Shea to February 2018

| | 2018 £'000 | 2017 £'000 |
|--|---------------|---------------|
| Remuneration | 130 | 257 |
| Lump sum award | 20 | 20 |
| Payment in lieu of employer's pension contribution | 16 | 31 |
| Sub-total excluding pension contributions & life cover | 166 | 308 |
| Employer's life cover | 3 | 5 |
| Benefits in kind | 10 | 8 |
| | 179 | 321 |

Emoluments of the Principal - Professor Mathieson From February 2018

| | 2018 £'000 |
|--|---------------|
| Remuneration | 171 |
| Lump sum award | - |
| Payment in lieu of employer's pension contribution | 18 |
| Sub-total excluding pension contributions & life cover | 189 |
| Employer's life cover | 3 |
| Employer's Pension Contribution | 5 |
| Benefits in kind | 7 |
| | 204 |

Median Pay

| | 2018 | 2017 |
|---|---------|---------|
| Highest earning employee's total remuneration | 380,598 | 308,008 |
| Median total remuneration | 34,520 | 34,956 |
| Ratio | 11.03 | 8.81 |

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 this 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 Timothy O'Shea accepted a capped contractual lump sum award of £20,000 in recognition of strong performance against a number of key strategic objectives. Professor O'Shea vacated his position as Principal on 4th February 2018. The position of Principal and Vice-Convener was taken up by Professor Peter Mathieson on 5th February 2018.

Professor O'Shea opted out of the pension scheme in 2015 and Professor Mathieson opted out 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 and the ratio between this and the full year remuneration of the highest paid employee are disclosed. As the highest paid employee, Professor Peter Mathieson's employment with the University began on 5th February 2018, his salary has been grossed up to full year equivalent for the purposes of this calculation.

Notes to the financial statements (continued)

Key management personnel

| | 2018 £m | 2017 £m |
|---------------------------------------|------------|------------|
| Key management personnel compensation | 2.2 | 2.0 |

| | 2018 number | 2017 number |
|---|----------------|----------------|
| Number of posts (expressed as full time equivalents during the year) included in key management personnel | 9.0 | 8.4 |

Senior post holders

| | 2018 | | | 2017 number |
|-------------------|-----------------|------------------------|-------|----------------|
| | Clinical number | Non-clinical number | Total | |
| £100,000–£109,999 | 22 | 40 | 62 | 44 |
| £110,000–£119,999 | 14 | 24 | 38 | 36 |
| £120,000–£129,999 | 16 | 12 | 28 | 17 |
| £130,000–£139,999 | 7 | 12 | 19 | 25 |
| £140,000–£149,999 | 11 | 9 | 20 | 18 |
| £150,000–£159,999 | 7 | 10 | 17 | 12 |
| £160,000–£169,999 | 8 | 8 | 16 | 13 |
| £170,000–£179,999 | 6 | 5 | 11 | 8 |
| £180,000–£189,999 | 2 | 4 | 6 | 6 |
| £190,000–£199,999 | 8 | 3 | 11 | 7 |
| £200,000–£209,999 | 5 | 1 | 6 | 11 |
| £210,000–£219,999 | 3 | 1 | 4 | - |
| £220,000–£229,999 | 2 | 1 | 3 | 1 |
| £230,000–£239,999 | 4 | 1 | 5 | 5 |
| £240,000–£249,999 | 1 | 1 | 2 | 2 |
| £250,000–£259,999 | - | - | - | 1 |
| £260,000–£269,999 | 1 | - | 1 | 1 |
| £270,000–£279,999 | - | - | - | 1 |
| £280,000–£289,999 | 1 | - | 1 | 1 |
| £300,000–£309,999 | - | - | - | 1 |
| £330,000–£339,999 | 1 | - | 1 | - |
| | 119 | 132 | 251 | 209 |

Compensation for loss of office

| | 2018 £'000 | 2017 £'000 |
|---|---------------|---------------|
| Compensation payable to senior post holders | 168 | - |
| Other compensation paid in excess of £100,000 | - | 209 |
| | 168 | 209 |

Key management personnel

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Institution.

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

Positions held by members of the Key Management Personnel are;

- Chief Information Officer and Librarian
- Director of Corporate Services
- Principal and Vice-Chancellor
- Senior Vice-Principal
- University Secretary
- Vice-Principal and Head of the 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

Senior post holders

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

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

46 per cent (2017: 53 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 (2017: nil).

The compensation payable to senior post holders during the year was £168k (2017: nil).

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

| | 2018 | | 2017 | |
|---|--------------------|------------------|--------------------|------------------|
| | Consolidated £m | University £m | Consolidated £m | University £m |
| Academic and related expenditure | 75.4 | 75.5 | 66.6 | 66.3 |
| Scholarships & stipends | 33.0 | 33.0 | 31.6 | 31.6 |
| Research grants and contracts | 104.8 | 104.8 | 96.6 | 96.6 |
| Library, computer and other academic support services | 16.1 | 16.1 | 15.7 | 15.7 |
| Administration and central services | 20.9 | 25.5 | 18.0 | 21.6 |
| Refurbishment and maintenance | 24.1 | 23.8 | 16.2 | 15.9 |
| Utilities costs | 17.2 | 19.7 | 16.9 | 19.8 |
| Residences and catering operations | 39.0 | 32.1 | 34.3 | 28.2 |
| Other premises costs | 12.1 | 12.1 | 9.7 | 9.7 |
| Other including income generating operations | 16.1 | 7.5 | 13.4 | 4.5 |
| | 358.7 | 350.1 | 319.0 | 309.9 |
| Other operating expenses include: | | | | |
| Agency staff costs | 11.2 | 10.9 | 7.3 | 7.1 |
| Operating lease rentals: | | | | |
| Land and buildings | 24.1 | 25.5 | 20.0 | 21.4 |
| Other | 1.1 | 1.0 | 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 | 0.4 | 0.4 | 0.3 | 0.3 |

Notes to the financial statements (continued)

11. Interest and Other Finance Costs

| | Notes | 2018 | | 2017 | |
|------------------------------|-------|--------------------|------------------|--------------------|------------------|
| | | Consolidated £m | University £m | Consolidated £m | University £m |
| Loan interest | | 10.8 | 10.8 | 8.9 | 8.9 |
| Finance lease interest | | 0.1 | 0.1 | 0.1 | 0.1 |
| Net charge on pension scheme | 20 | 5.9 | 5.9 | 5.5 | 5.5 |
| | | 16.8 | 16.8 | 14.5 | 14.5 |

12. Taxation

The University has made a successful claim under the Research and Development Expenditure Credit (RDEC) tax rules for 2012/13, 2013/14 and 2014/15. These rules are designed by HMRC to incentivise research and development. This has resulted in a tax credit which can be used against future non primary purpose (NPP) profits arising in the University of Edinburgh. NPP income is derived from the trading activities of the University which are not charitable in purpose.

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 2017 | 1,652.6 | 183.2 | 1,835.8 | 212.2 | 2,048.0 |
| Additions | 160.1 | 25.7 | 185.8 | 0.6 | 186.4 |
| Disposals | (1.9) | (9.7) | (11.6) | - | (11.6) |
| As at 31 July 2018 | 1,810.8 | 199.2 | 2,010.0 | 212.8 | 2,222.8 |
| Accumulated depreciation | | | | | |
| As at 1 August 2017 | 73.2 | 145.6 | 218.8 | - | 218.8 |
| Charge for the year | 39.0 | 21.2 | 60.2 | - | 60.2 |
| Disposals | (0.5) | (9.6) | (10.1) | - | (10.1) |
| As at 31 July 2018 | 111.7 | 157.2 | 268.9 | - | 268.9 |
| Net book value | | | | | |
| As at 31 July 2018 | 1,699.1 | 42.0 | 1,741.1 | 212.8 | 1,953.9 |
| As at 31 July 2017 | 1,579.4 | 37.6 | 1,617.0 | 212.2 | 1,829.2 |

Consolidated fixed assets

At 31 July 2018, freehold land and buildings included £96.7 million (2017: £88.3 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 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 buildings fixed assets amounted to £0.7 million (2017: £8.1 million).

Certain land and buildings have been partly financed from Exchequer Funds. £16.7 million of funding body grants recognised in year were used to fund land and building additions. 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 2017 | 1,643.8 | 169.1 | 1,812.9 | 212.2 | 2,025.1 |
| Additions | 160.1 | 25.6 | 185.7 | 0.6 | 186.3 |
| Disposals | (1.9) | (9.7) | (11.6) | - | (11.6) |
| As at 31 July 2018 | 1,802.0 | 185.0 | 1,987.0 | 212.8 | 2,199.8 |
| Accumulated depreciation | | | | | |
| As at 1 August 2017 | 71.6 | 133.7 | 205.3 | - | 205.3 |
| Charge for the year | 38.3 | 20.8 | 59.1 | - | 59.1 |
| Disposals | (0.5) | (9.7) | (10.2) | - | (10.2) |
| As at 31 July 2018 | 109.4 | 144.8 | 254.2 | - | 254.2 |
| Net book value | | | | | |
| As at 31 July 2018 | 1,692.6 | 40.2 | 1,732.8 | 212.8 | 1,945.6 |
| As at 31 July 2017 | 1,572.2 | 35.4 | 1,607.6 | 212.2 | 1,819.8 |

University fixed assets

At 31 July 2018, freehold land and buildings included £96.5 million (2017: £88.1 million) in respect of freehold land and is not depreciated.

At 31 July 2018, land and buildings included £127.0 million (2017: £120.6 million) in respect of buildings under construction.

The value of buildings under construction represents investment in new Biological Sciences facilities at King's Buildings, the Bayes Centre, a Large Animal Research and Imaging Facility based at Roslin, the Institute for Repair and Regeneration at Edinburgh BioQuarter and the development of the Edinburgh Futures Institute at the Quatermile site.

During the year construction was completed on new student accommodation at Buccleuch Place/ Meadow Lane and the Charnock Bradley building at Easter Bush. In addition to the increase in buildings under construction, other significant additions to existing buildings include the refurbishment of Old College School of Law, a new student centre at Teviot and major refurbishment of a number of student residencies. Further land was also acquired at Quatermile.

At 31 July 2018, land and buildings included assets totalling £2m (2017: nil) held for resale.

The net book value of tangible fixed assets includes an amount of £2.3 million (2017: £2.3 million) of buildings, fixtures and fittings held under finance leases. The depreciation charge on these assets for the year was £31,021 (2017: £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/schools-departments/information-services/services/library-museum-gallery/museums-and-galleries |
| Cockburn Museum of Geology | Internal | Dr John Scally | www.ed.ac.uk/schools-departments/information-services/services/library-museum-gallery/museums-and-galleries |
| Natural History Collections | Internal | Prof Mark Blaxter & Prof Graham Stone | www.ed.ac.uk/schools-departments/information-services/services/library-museum-gallery/museums-and-galleries |
| 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:

| | 2018 £m | 2017 £m | 2016 £m | 2015 £m | 2014 £m |
|--|------------|------------|------------|------------|------------|
| Acquisitions purchased with specific donations | 0.2 | - | 0.1 | - | - |
| Acquisitions purchased with University funds | 0.4 | 0.1 | 0.2 | - | 1.3 |
| Total cost of acquisitions purchased | 0.6 | 0.1 | 0.3 | - | 1.3 |
| Value of acquisitions by donation | - | - | 0.1 | - | - |
| Total acquisitions capitalised | 0.6 | 0.1 | 0.4 | - | 1.3 |

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.

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 2017 | 526.9 | 3.7 | 530.6 |
| Additions | 1.4 | 1.5 | 2.9 |
| Disposals | (4.1) | (1.0) | (5.1) |
| Appreciation | 40.3 | 2.1 | 42.4 |
| As at 31 July 2018 | 564.5 | 6.3 | 570.8 |
| Non-current investments consist of: | | | |
| The University of Edinburgh Endowment and Investment fund | 564.5 | - | 564.5 |
| Other | - | 1.0 | 1.0 |
| Edinburgh University Press Ltd (intellectual property) | - | 0.1 | 0.1 |
| Unlisted investments | - | 5.2 | 5.2 |
| | 564.5 | 6.3 | 570.8 |

University

| | Subsidiary companies £m | University of Edinburgh Endowment and Investment Fund £m | Other fixed asset investments £m | Total £m |
|----------------------------|-------------------------------|--|---|--------------|
| As at 1 August 2017 | 8.0 | 526.9 | 0.6 | 535.5 |
| Additions | - | 1.4 | 0.5 | 1.9 |
| Disposals | - | (4.1) | (1.0) | (5.1) |
| Loans advanced | 1.5 | - | - | 1.5 |
| Loans repaid | (2.0) | - | - | (2.0) |
| Appreciation | - | 40.3 | 0.9 | 41.2 |
| Impairment reversal | 0.7 | - | - | 0.7 |
| As at 31 July 2018 | 8.2 | 564.5 | 1.0 | 573.7 |

Non-Current Investments

The Endowment and Investment Fund investment is 25.9 per cent Treasury and 74.1 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 7.7 per cent from £39.34 to £42.36 giving an appreciation of £40.3m.

Notes to the financial statements (continued)

University

| | Subsidiary companies £m | 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 | - | 335.6 | - | 335.6 |
| Fixed interest stocks | - | 24.4 | - | 24.4 |
| Property | - | 113.2 | - | 113.2 |
| Multi asset type | - | 82.9 | - | 82.9 |
| Venture capital | - | 4.5 | - | 4.5 |
| Debtor | - | 0.1 | - | 0.1 |
| Bank deposits held at fund managers | - | 2.2 | - | 2.2 |
| Bank deposits held by the University | - | 1.6 | - | 1.6 |
| Other investments | | | | |
| pure LiFi | - | - | 0.5 | 0.5 |
| Big Issue | - | - | 0.5 | 0.5 |
| Investment in subsidiary companies | | | | |
| Edinburgh University Press Ltd | 0.4 | - | - | 0.4 |
| Loans to subsidiary companies | | | | |
| UoE Utilities Supply Company Ltd | 4.4 | - | - | 4.4 |
| Old College Capital LLP | 3.2 | - | - | 3.2 |
| Hong Kong Centre for Carbon Innovation Ltd | 0.2 | - | - | 0.2 |
| | 8.2 | 564.5 | 1.0 | 573.7 |

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.

16. Trade And Other Receivables

| | 2018 | | 2017 | |
|---|--------------------|------------------|--------------------|------------------|
| | Consolidated £m | University £m | Consolidated £m | University £m |
| Amounts falling due within one year: | | | | |
| Research grants receivables | 77.2 | 77.2 | 71.7 | 71.7 |
| Other trade receivables | 39.4 | 23.1 | 35.2 | 21.4 |
| Prepayments and accrued income | 16.1 | 15.1 | 15.1 | 14.0 |
| Amounts due from subsidiary companies | - | 3.7 | - | 4.7 |
| | 132.7 | 119.1 | 122.0 | 111.8 |

17. Current Investments

| | 2018 | | 2017 | |
|---------------------|--------------------|------------------|--------------------|------------------|
| | Consolidated £m | University £m | Consolidated £m | University £m |
| Short-term deposits | 180.0 | 180.0 | 195.0 | 195.0 |

Notes to the financial statements (continued)

18. Creditors: Amounts Falling Due Within One Year

| | 2018 | | 2017 | |
|--|--------------------|------------------|--------------------|------------------|
| | Consolidated £m | University £m | Consolidated £m | University £m |
| Unsecured loans | 3.2 | 3.2 | 3.2 | 3.2 |
| Obligations under finance leases | 0.2 | 0.2 | 0.2 | 0.2 |
| Trade payables | 40.1 | 37.7 | 38.6 | 35.7 |
| Social security and other taxation payable | 12.1 | 12.0 | 14.6 | 13.9 |
| Concessionary loan | 0.7 | 0.7 | - | - |
| Accruals and deferred income (see below) | 254.2 | 248.4 | 247.9 | 242.5 |
| Amounts due to subsidiary companies | - | 24.6 | - | 0.9 |
| | 310.5 | 326.8 | 304.5 | 296.4 |

Accruals and deferred income

| | 2018 | | 2017 | |
|--|--------------------|------------------|--------------------|------------------|
| | Consolidated £m | University £m | Consolidated £m | University £m |
| Accruals | 49.8 | 49.8 | 53.8 | 53.7 |
| Donations and other restricted income deferred | 23.4 | 23.4 | 23.1 | 23.1 |
| Research grants received on account | 124.8 | 124.8 | 116.7 | 116.7 |
| Estates capital grants deferred | 15.5 | 15.5 | 19.5 | 19.5 |
| Other income deferred | 40.7 | 34.9 | 34.8 | 29.5 |
| | 254.2 | 248.4 | 247.9 | 242.5 |

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

| | 2018 | | 2017 | |
|---------------------------------|--------------------|------------------|--------------------|------------------|
| | Consolidated £m | University £m | Consolidated £m | University £m |
| Obligations under finance lease | 0.6 | 0.6 | 0.8 | 0.8 |
| Unsecured loans | 380.6 | 380.6 | 317.9 | 317.9 |
| Concessionary loan | 4.5 | 4.5 | - | - |
| Other creditors | 0.7 | 0.7 | 0.7 | 0.7 |
| | 386.4 | 386.4 | 319.4 | 319.4 |

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:

During the year the University received a £5.2 million loan from Salix Finance Limited (£0.7m due within one year and £4.5m due after more than one year) in partnership with the 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.

Notes to the financial statements (continued)

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

| | | 2018 | | 2017 | |
|---|------|--------------------|------------------|--------------------|------------------|
| | Note | Consolidated £m | University £m | Consolidated £m | University £m |
| Obligations under finance leases are due as follows: | | | | | |
| Due within one year | 18 | 0.2 | 0.2 | 0.2 | 0.2 |
| Due between two and five years | 19 | 0.6 | 0.6 | 0.8 | 0.8 |
| | | 0.8 | 0.8 | 1.0 | 1.0 |

| | | 2018 | | 2017 | |
|---|----|--------------------|------------------|--------------------|------------------|
| | | Consolidated £m | University £m | Consolidated £m | University £m |
| Unsecured bank loans are repayable as follows: | | | | | |
| Due within one year | 18 | 3.2 | 3.2 | 3.2 | 3.2 |
| Due between two and five years | 19 | 25.2 | 25.2 | 10.3 | 10.3 |
| Due in five years or more | 19 | 355.4 | 355.4 | 307.6 | 307.6 |
| | | 383.8 | 383.8 | 321.1 | 321.1 |

Unsecured loans outstanding at 31 July 2018 were as follows:

| | Interest rate % | Repayable | Borrower | Amount £m |
|---|--------------------|-----------|------------|--------------|
| Prudential plc | 6.98 | 2026-2030 | University | 30.0 |
| European Investment Bank | 4.105 | 2017-2036 | University | 42.2 |
| Lloyds Bank plc | 5.89 | 2017-2036 | University | 6.3 |
| Private Placements repayable in 20 years* | 3.20 | 2036 | University | 40.0 |
| The Royal Bank of Scotland plc | 0.2% above base | 2017-2037 | University | 5.8 |
| Private Placements repayable in 25 years* | 3.38 | 2041 | University | 40.0 |
| Private Placements repayable in 30 years* | 3.46 | 2046 | University | 20.0 |
| European Investment Bank** | 2.105 | 2021-2046 | University | 200.0 |
| FRS102 amortisation adjustment | | | | (0.5) |
| | | | | 383.8 |

Unsecured loans outstanding as at 31 July 2018 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 has a further £200 million loan facility from the European Investment Bank, fully drawn down.

The total of new unsecured loans in 2018 was £66 million (2017: £67 million).

New external borrowing

In August 2018, the University signed a loan agreement with Northwestern Mutual to secure £250m worth of borrowings. This will be used to finance the University's Estates Funding Strategy. The funds were drawn down by the University on 30th October 2018 and will be repaid over a staged 20 to 30 year period.

Notes to the financial statements (continued)

20. Provisions For Liabilities

| | 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 2017 | 102.5 | 7.2 | 1.1 | 150.0 | 260.8 |
| Utilised in year | (6.5) | (0.6) | (0.1) | (10.7) | (17.9) |
| Additions in year | 5.8 | - | - | 10.7 | 16.5 |
| Additional contributions paid by the University | - | - | - | (1.0) | (1.0) |
| Interest in year | 2.0 | 0.2 | - | 3.7 | 5.9 |
| Actuarial gain in respect of pension schemes | - | (0.7) | (0.1) | (100.2) | (101.0) |
| As at 31 July 2018 | 103.8 | 6.1 | 0.9 | 52.5 | 163.3 |

Provisions for liabilities

In compliance with FRS 102, Section 21: Provisions and contingencies, the provisions relate only to contractual and legal obligations of the University. All provisions relate 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 pension scheme for future payments relating to benefits arising from past performance. Management have assessed future active USS scheme staff and their projected salary payments over the 17-year period of the contracted obligation in assessing the value of this 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.

Notes to the financial statements (continued)

21. Endowment Reserves Consolidated and University

| | Permanent unrestricted endowments £m | Permanent restricted endowments £m | Expendable restricted endowments £m | 2018 total £m | 2017 total £m |
|--|---|---|--|---------------------|---------------------|
| Capital | 5.9 | 120.0 | 209.4 | 335.3 | 292.9 |
| Accumulated income | - | 11.9 | 44.9 | 56.8 | 49.9 |
| As at 1 August | 5.9 | 131.9 | 254.3 | 392.1 | 342.8 |
| New endowments | - | 0.1 | 1.3 | 1.4 | 1.7 |
| Investment income | 0.1 | 2.7 | 5.9 | 8.7 | 8.5 |
| Expenditure | (0.1) | (2.6) | (5.4) | (8.1) | (8.9) |
| Increase in market value of investments | 0.5 | 9.8 | 19.7 | 30.0 | 48.0 |
| | 0.5 | 10.0 | 21.5 | 32.0 | 49.3 |
| Transfers | - | 0.4 | (0.4) | - | - |
| As at 31 July | 6.4 | 142.3 | 275.4 | 424.1 | 392.1 |
| Represented by: | | | | | |
| Capital | 6.4 | 129.0 | 225.7 | 361.1 | 335.3 |
| Accumulated income | - | 13.3 | 49.7 | 63.0 | 56.8 |
| | 6.4 | 142.3 | 275.4 | 424.1 | 392.1 |
| Analysis by type of purpose: | | | | | |
| Chairs and lectureships | 0.9 | 19.4 | 37.6 | 57.9 | 58.5 |
| Prizes and scholarships | 3.4 | 75.7 | 146.5 | 225.6 | 210.1 |
| Other | 2.1 | 47.2 | 91.3 | 140.6 | 123.5 |
| | 6.4 | 142.3 | 275.4 | 424.1 | 392.1 |
| Non-current asset investments: | | | | | |
| Equities | 3.7 | 83.4 | 161.4 | 248.5 | 222.7 |
| Fixed interest stocks | 0.3 | 6.1 | 11.7 | 18.1 | 50.5 |
| Property | 1.3 | 28.1 | 54.4 | 83.8 | 79.6 |
| Multi asset | 0.9 | 20.6 | 39.9 | 61.4 | 29.9 |
| Venture capital | 0.1 | 1.1 | 2.1 | 3.3 | 2.6 |
| Bank deposits held at fund managers | - | 0.6 | 1.1 | 1.7 | 1.2 |
| Bank deposits held by the University | - | 0.4 | 0.8 | 1.2 | 2.8 |
| Non-current asset investments | 6.3 | 140.3 | 271.4 | 418.0 | 389.3 |
| Cash balances held by the University | 0.1 | 1.7 | 3.2 | 5.0 | 1.4 |
| Current asset - working capital | - | 0.3 | 0.8 | 1.1 | 1.4 |
| Total endowment assets | 6.4 | 142.3 | 275.4 | 424.1 | 392.1 |

Endowment reserves

The University's Endowment Fund is part of the Endowment and Investment Fund of £564.5 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 | 2018 total £m | 2017 total £m |
|---|----------------------|------------------------------------|------------------|------------------|
| Balances at 1 August | 6.9 | 41.3 | 48.2 | 41.0 |
| New donations and grants receivable | 36.7 | 24.0 | 60.7 | 42.5 |
| Capital grants utilised | (26.2) | - | (26.2) | (26.4) |
| Expenditure | - | (25.8) | (25.8) | (8.9) |
| Total restricted comprehensive income for the year | 10.5 | (1.8) | 8.7 | 7.2 |
| Balances at 31 July | 17.4 | 39.5 | 56.9 | 48.2 |
| Closing reserves comprise the following funds: | | | | |
| Donations | | | 15.9 | 15.1 |
| Capital grants | | | 17.4 | 6.9 |
| Other grants | | | 1.5 | 1.0 |
| Funds held at University of Edinburgh Development Trust | | | 22.1 | 25.2 |
| | | | 56.9 | 48.2 |

University

| | Capital grants £m | Donations and revenue grants £m | 2018 total £m | 2017 total £m |
|--|----------------------|------------------------------------|------------------|------------------|
| Balances at 1 August | 6.2 | 16.8 | 23.0 | 15.6 |
| New donations and grants receivable | 25.2 | 10.2 | 35.4 | 42.7 |
| Capital grants utilised | (25.9) | - | (25.9) | (26.4) |
| Expenditure | - | (9.7) | (9.7) | (8.9) |
| Total restricted comprehensive income for the year | (0.7) | 0.5 | (0.2) | 7.4 |
| Balances at 31 July | 5.5 | 17.3 | 22.8 | 23.0 |

23. Revaluation Reserve

Consolidated and University

| | Heritage assets £m | 2018 total £m | 2017 total £m |
|--|-----------------------|------------------|------------------|
| Balances at 1 August | 207.8 | 207.8 | 207.8 |
| Total restricted comprehensive income for the year | - | - | - |
| Balances at 31 July | 207.8 | 207.8 | 207.8 |

Notes to the financial statements (continued)

24. Cash and Equivalents

Consolidated

| | 2018 £m | 2017 £m |
|---|--------------|------------|
| At 1 August | 250.2 | 175.8 |
| Net change in cash and cash equivalent balances | (14.1) | 74.4 |
| At 31 July | 236.1 | 250.2 |

University

| | 2018 £m | 2017 £m |
|---|--------------|------------|
| At 1 August | 221.3 | 149.8 |
| Net change in cash and cash equivalent balances | 3.9 | 71.5 |
| At 31 July | 225.2 | 221.3 |

25. Capital and Other Commitments

| | 2018 | | 2017 | |
|---------------------------------------|--------------------|------------------|--------------------|------------------|
| | Consolidated £m | University £m | Consolidated £m | University £m |
| Commitments contracted for at 31 July | 102.2 | 102.2 | 139.6 | 139.6 |

26. Contingent Liabilities

Subsidiary Companies

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

Capital Works

A contractor is in dispute with the University in respect of capital works undertaken which significantly exceeded the project budget. The matter has been in dispute for over a year following completion of the project, and despite regular meetings with legal and expert advisors assisting in resolving the matter, no conclusion has been reached. It is therefore not practicable to determine the timing of the payment, if any.

The amount in dispute is £8.5million, however while it is possible, it is not probable, 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:

| | 2018 | | | 2017 total £m |
|---|-----------------------------|-----------------------|-------------|---------------------|
| | Land and buildings £m | Other leases £m | Total £m | |
| Payable during the year | 23.0 | 1.1 | 24.1 | 19.5 |
| Future minimum lease payments due: | | | | |
| Not later than one year | 15.9 | 1.0 | 16.9 | 12.3 |
| Later than one year and not later than five years | 27.0 | 1.7 | 28.7 | 20.1 |
| Later than five years | 42.7 | - | 42.7 | 43.5 |
| Total lease payments due | 85.6 | 2.7 | 88.3 | 75.9 |

28. Post balance sheet events

In August 2018, the University signed a loan agreement with Northwestern Mutual to secure £250m worth of borrowings. This will be used to finance the University's Estates Funding Strategy, and to replace existing debt with borrowings at a much lower rate of interest. The funds were drawn down by the University on 30th October 2018 and will be repaid over a staged 20 to 30 year period. The cost of repaying both the outstanding M&G (£30m) and Lloyds (£7.5m) debt was £50.7m. This was concluded at the start of November 2018.

Notes to the financial statements (continued)

29. Subsidiary Undertakings

Subsidiary undertakings comprise companies registered in Scotland as follows:

Edinburgh Innovations Limited

The University owns 100 per cent of the issued share capital of Edinburgh Innovations Limited, consisting of two ordinary shares of £1 each. The company's main activities are concerned with the 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

The University owns 100 per cent of the issued share capital of Edinburgh Technology Fund Limited, consisting of 6,000 "A" ordinary shares of £1 each. The principal activity of the company is the 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

The University owns 100 per cent of the issued share capital of UoE Accommodation Limited, consisting of two ordinary shares of £1 each. The company's main activities are concerned with non-student lettings and the provision of nursery childcare services for the University of Edinburgh.

UoE HPCX Limited

The University owns 100 per cent of the share capital of UoE HPCX Limited consisting of one ordinary share of £1. The company's principal activity is the provision of high-performance computing services.

UoE Utilities Supply Company Limited

The University owns 100 per cent of the issued share capital of UoE Utilities Supply Company Limited, consisting of two ordinary shares of £1. This company was set up to provide utility services to the University.

Old College Capital LP, SI and GP

The University is the sole shareholder in Old College Capital GP Limited, which 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

The University owns 100 percent of the issued share capital of Research into Results Limited. The principal activity is the delivery of research and project management services in the area of international development.

Fortissimo Marketplace Limited

The University is the only member 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. The company was dormant throughout the year.

Edinburgh University Press Limited

Edinburgh University Press Limited is a charity

registered in Scotland, registered charity number SC035813, incorporated as a limited company, of which the University owns 100 per cent of the issued share capital of 357,482 ordinary shares of £1 each. The principal activity of Edinburgh University Press Limited is the publication of educational books and journals.

The University of Edinburgh Development Trust

The University of Edinburgh Development Trust is 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

The Andrew Grant Bequest is 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 benefactions from Andrew Grant.

Other subsidiary undertakings are as follows:

University of Edinburgh Deaconess Limited (UoEDL)

The University owns 100 per cent of the share capital, consisting of 22,821,322 ordinary shares of £1 in UoEDL, 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

The University owns 100 per cent of the share capital in Hong Kong Centre for Carbon Innovation Limited, 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 partnership among the UK, Hong Kong and China.

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:

Edinburgh Technology Transfer Centre Limited

The University is the only member of the Company which is limited by guarantee. In the event of the Company being wound up, the members' liability is limited to £1 each. The company was dissolved in June 2018.

FloWave TT Limited

The University owns 100 per cent of the issued share capital of FloWave TT Limited, consisting of one ordinary share of £1. The company is registered in Scotland. The company has been dormant since 31 July 2017 and is in the process of being wound up following the transfer of the wavetank facilities and operations to the University.

Sunergos Innovations Limited

The University owns 100 per cent of the share capital, consisting of 100 ordinary shares of £1. The company is registered in Scotland. The main activities include the commercial exploitation of intellectual property arising from research. The company is now dormant and in the process of being wound up following the transfer to the University of the intellectual property commercial exploitation activities.

Associated undertakings include the following:

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 are set to join 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 two members. No share of the accounts of that body is consolidated on the ground of materiality.

Roslin Technologies

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 know-how 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 accounts 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) | 26.1 | 26.8 | (17.5) | - | 35.4 |
| Edinburgh University Press Limited (Scottish Charity No. SC035813) | 1.8 | 3.5 | (3.3) | - | 2.0 |
| The Andrew Grant Bequest (Scottish Charity No. SC001097) | 4.9 | 0.1 | (0.1) | 0.4 | 5.3 |
| | 32.8 | 30.4 | (20.9) | 0.4 | 42.7 |

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) | 0.2 | 12.7 | (12.9) | - | - |
| Edinburgh University Sports Union (Scottish Charity No. SC009248) | 0.1 | 0.8 | (0.8) | - | 0.1 |
| | 0.3 | 13.5 | (13.7) | - | 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 Consolidated accounts of the University.

*Note the Edinburgh University Students' Association figures are at 31 March 2018, 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 Edinburgh Innovations (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 and MRCPS are multi-employer schemes and, given the mutual nature of the schemes, it is not possible to identify the University's shares 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 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 and MRCPS schemes is included in these accounts. 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 the Consolidated Statement.

Overall scheme participation and pension costs

| | Employer contribution rate at 31 July 2018 | Employee contribution rate at 31 July 2018 | Active members at 31 July 2018 | Pension costs year to 31 July 2018 £'000 | Active members at 31 July 2017 | Pension costs year to 31 July 2017 £'000 |
|--|--|--|--------------------------------|--|--------------------------------|--|
| Defined contribution plan | | | | | | |
| USS | 18%(1) | 8% | 7,882 | 78,434 | 7,475 | 73,807 |
| STSS | 17.20% | 7.2% to 11.9% | 66 | 470 | 72 | 555 |
| MRCPS | 15.90% | 5.25% to 6.5% | 53 | 371 | 59 | 411 |
| NEST | 3% | 3% | 1,590 | 1,169 | 1,424 | 836 |
| GPP | 14% | 4.5% | 7 | 79 | - | - |
| Other: NHS and subsidiaries | 14.90% | 5.2% to 14.7% | 99 | 1,587 | 81 | 1,359 |
| Sub-total: members and costs | | | 9,697 | 82,110 | 9,111 | 76,968 |
| Defined benefit plan | | | | | | |
| EUSBS | 16.20% | 8% | 1,825 | 10,300 | 1,887 | 13,900 |
| SPF | 37.5%(2) | 5.5% to 11.2% | 24 | 277 | 26 | 248 |
| LPF | 41.8%(3) | 5.5% to 11.2% | 20 | 149 | 21 | 162 |
| Sub-total: Members and service cost per FRS102 disclosures below | | | 1,869 | 10,726 | 1,934 | 14,310 |
| Total members and cost | | | 11,566 | 92,836 | 11,045 | 91,278 |

1. Included a deficit recovery plan contribution of 2.1 per cent
2. An additional SPF employer's contribution of £750,000 (2018 £750,000) is payable for the 12 months ending 31 March 2019
3. An additional LPF employer's contribution of £404,200 (2018 £386,800) is payable for the 12 months ending 31 March 2019

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 | 2.64% | n/a | 2.02% | 24.5 | 26.0 | 26.5 | 27.8 |
| Valuations under FRS102 at 31 July 2018 | | | | | | | |
| EUSBS | 2.90% | 3.10%(2) | 2.95% | 21.1 | 23.5 | 22.5 | 25.1 |
| LPF | 2.70% | 4.10% | 2.40% | 21.7 | 24.3 | 24.7 | 27.5 |
| SPF | 2.70% | 4.10% | 2.40% | 21.4 | 23.7 | 23.4 | 25.8 |

1. Mortality rates are based on assumed life expectancy at the retirement age
2. Salary increases are assumed to be 3.1 per cent based on CPI plus 1 per cent

Notes to the financial statements (continued)

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.

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. 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 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 understand 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 £78.434 million (2017: £73.807 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 2014 (the valuation date), which was carried out using the projected unit method. The valuation as at 31 March 2017 is underway but not yet completed. 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 2014 valuation was the third 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 was £41.6 billion and the value of the scheme's technical provisions was £46.9 billion indicating a shortfall of £5.3 billion. These figures will be revised once the 2017 Scheme Valuation is complete.

Defined benefit liability numbers for the Scheme for accounting purposes have been produced using the assumptions on the Key Actuarial Assumptions table on the previous page.

The main demographic assumption used relates to the mortality assumptions. These assumptions have been updated for the 31 March 2018 accounting position, based on updated 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:

Mortality base table

| 2018 | 2017 |
|---|---|
| <u>Pre-retirement:</u> 71% of AMC00 (duration 0) for men and 112% of AFC00 (duration 0) for women. | 98% of SAPS S1NA "light" YOB unadjusted for men. |
| <u>Post retirement:</u> 96.5% of SAPS S1NMA "light" for men and 101.3% of RFV00 for women. | 99% of SAPS S1NA "light" YOB with a -1 year adjustment for women. |

Future improvements to mortality

| 2018 | 2017 |
|---|---|
| CMI_2016 with a smoothing parameter of 8.5 and a long term improvement rate of 1.8% pa for men and 1.6% pa for women. | CMI_2014 with a long term rate of 1.5% p.a. |

The current life expectancies on retirement at age 65 are:

| | 2018 | 2017 |
|-------------------------------|-------------|------|
| Men currently aged 65 years | 24.5 | 24.4 |
| Women currently aged 65 years | 26.0 | 26.6 |
| Men currently aged 45 years | 26.5 | 26.5 |
| Women currently aged 45 years | 27.8 | 29.0 |

| | 2018 | 2017 |
|------------------------------|----------------|---------|
| Scheme assets | £63.6bn | £60.0bn |
| Total Scheme liabilities | £72.0bn | £77.5bn |
| FRS 102 total Scheme deficit | £8.4bn | £17.5bn |
| FRS 102 total funding level | 88% | 77% |

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 actuarial valuation was carried out as at 31 March 2012 and the value of the scheme's liability was £20.9 billion. The pension liability as at 31 March 2017 was £36.3 billion (based on an assessment of the liabilities as at 31 March 2015, with an approximate updating to 31 March 2017 to reflect known changes) with a £6.9 billion actuarial loss. The Scheme actuary has started work on the next valuation, based on data as at 31 March 2016 which will set the employer contribution rate from 1 April 2019.

As the scheme is unfunded, no surplus or shortfall can be identified. The present STSS employers' contribution rate is 17.2 per cent. Future pension contribution rates will be set by the schemes actuary at a level to meet the cost of pensions as they accrue.

Notes to the financial statements (continued)

Medical Research Council Pension Scheme (MRCPS)

As a result of the merger with the Human Genetics Unit, the University obtained membership of the Medical Research Council Pension Scheme (MRCPS) with effect from 1 October 2011. The MRC 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 125 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
- 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 last carried out at 31 March 2012. For further information see the Scottish Public Pensions Agency (SPPA) website at www.sppa.gov.uk

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. 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 three 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 £6.9 million (2017: £8.3 million).

This comprises:

- Moray House School of Education and Edinburgh College of Art: £6.0 million (2017: £7.2 million)
- University of Edinburgh: £0.9 million (2017: £1.1 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 2018 £m | Value at 31 July 2017 £m | Value at 31 July 2016 £m |
|---|-----------------------------------|-----------------------------------|-----------------------------------|
| Market value of assets: | | | |
| Equities | 159.9 | 149.9 | 145.4 |
| Debt | 0.3 | 21.5 | 82.6 |
| Property | 37.7 | 36.2 | 34.7 |
| Liability driven investments | 56.9 | 23.5 | - |
| Private equity and diversified growth funds | 165.8 | 163.9 | 88.2 |
| Cash | 6.9 | 7.8 | 20.4 |
| Total market value of assets | 427.5 | 402.8 | 371.3 |
| Present value of scheme liabilities | (482.1) | (548.4) | (502.6) |
| Deficit in the scheme - net pension liability | (54.6) | (145.6) | (131.3) |

Lothian Pension Fund (LPF)

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

| | Value at 31 July 2018 £m | Value at 31 July 2017 £m | Value at 31 July 2016 £m |
|---|-----------------------------------|-----------------------------------|-----------------------------------|
| Market value of assets: | | | |
| Equities | 9.5 | 18.3 | 14.4 |
| Bonds | 11.4 | 2.8 | 4.5 |
| Property | 0.9 | 1.4 | 1.7 |
| Cash | 0.9 | 0.9 | 0.6 |
| Total market value of assets | 22.7 | 23.4 | 21.2 |
| Present value of scheme liabilities | | | |
| Funded | (25.0) | (26.9) | (26.0) |
| Unfunded | (0.2) | (0.2) | (0.2) |
| Deficit in the scheme - net pension liability | (2.5) | (3.7) | (5.0) |

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 is underway and the preliminary results have been used as the basis for the following valuation under FRS 102. As at 31 July 2018, the value of the assets in the scheme was £427.5 million (2017: £402.8 million) and the present value of the funded and unfunded benefits accrued was £482.1 million (2017: £548.4 million), leaving a shortfall of £54.6 million (2017: £145.6 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 2018, the value of the University's assets in the LPF scheme was £22.7 million (2017: £23.4 million) and the present value of the funded and unfunded benefits accrued was £25.2 million (2017: £27.1 million), leaving a shortfall of £2.5 million (2017: £3.7 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 2018 £m | Value at 31 July 2017 £m | Value at 31 July 2016 £m |
|---|---|-----------------------------------|-----------------------------------|
| Market value of assets: | | | |
| Equities | 22.3 | 23.2 | 21.2 |
| Bonds | 7.7 | 4.6 | 4.6 |
| Property | 3.9 | 3.6 | 3.2 |
| Cash | 1.0 | 1.3 | - |
| Total market value of assets | 34.9 | 32.7 | 29.0 |
| Present value of scheme liabilities: | | | |
| Funded | (29.8) | (32.7) | (31.5) |
| Unfunded | (0.5) | (0.5) | (0.6) |
| Surplus/(deficit) in the scheme - net pension asset/(liability) | 4.6 | (0.5) | (3.1) |

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 2018, the value of the University's assets in the SPF scheme was £34.9 million (2017: £32.7 million) and the value of the funded and unfunded benefits accrued was £30.3 million (2017: £33.2 million), leaving a surplus of £4.6 million (2017: £0.5 million) included in the University pension liability.

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.

| | 2018 £m | 2017 £m |
|---|----------------|--------------|
| Analysis of the amount shown in the balance sheet for EUSBS, LPF and SPF pensions: | | |
| Scheme assets | 485.1 | 458.8 |
| Scheme liabilities | 537.7 | 608.8 |
| Deficit in the schemes – net pension liability recorded within pension provisions (Note 20) | 52.6 | 150.0 |
| Unfunded ex gratia pension liability | 6.9 | 8.3 |
| Total provision for net liability | 59.5 | 158.3 |
| Current service cost | 10.7 | 14.3 |
| Past service costs | - | - |
| Total operating charge | 10.7 | 14.3 |
| Analysis of the amount charged to interest payable | | |
| Interest cost | 15.3 | 13.8 |
| Expected return on assets | (11.6) | (10.4) |
| Net charge to other interest and other finance costs | 3.7 | 3.4 |
| Analysis of other comprehensive income: | | |
| Gain on assets | (20.4) | (30.3) |
| Experience gain on liabilities | (25.2) | - |
| Past service credit arising on change of pension increase assumption in the financial year | (54.6) | 35.6 |
| Total (credit)/charge to other comprehensive income before deduction for tax | (100.2) | 5.3 |

| Analysis of movement in deficit | 2018 £m | 2017 £m |
|--|--------------|--------------|
| Deficit at beginning of year | 150.0 | 139.3 |
| Contributions or benefits paid by the University | (10.7) | (11.3) |
| Additional contributions paid by University* | (1.0) | (1.0) |
| Current service cost | 10.7 | 14.3 |
| Past service cost | - | - |
| Other finance charge | 3.7 | 3.4 |
| (Gain)/loss recognised in other comprehensive income | (100.2) | 5.3 |
| Deficit at end of year | 52.5 | 150.0 |

*Actual contributions in the financial year 2017/18 are £10.7 million (2017: £11.3 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

| | 2018 £m | 2017 £m |
|--|---------------|------------|
| Present value of liabilities at the start of the year | 608.8 | 560.9 |
| Current service cost | 10.7 | 14.3 |
| Interest cost | 15.3 | 13.8 |
| Past service cost recorded within other comprehensive income | - | - |
| Actual member contributions | 0.5 | 0.5 |
| Actuarial (gain)/loss | (79.8) | 35.5 |
| Actual benefit payments | (17.8) | (16.2) |
| Present value of liabilities at the end of the year | 537.7 | 608.8 |

*Actual contributions in the financial year 2017/18 are £10.7 million (2017: £11.3 million) based on the same member take up in the Salary Sacrifice arrangement.

**An additional £1.03 million (2017: £1.01 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

| | 2018 £m | 2017 £m |
|---|---------------|------------|
| Fair value of assets at the start of the year | 458.8 | 421.5 |
| Expected return on assets | 11.6 | 10.4 |
| Actuarial gain on assets | 20.4 | 30.3 |
| Actual scheme contributions paid by University* | 10.7 | 11.3 |
| Additional contributions paid by University** | 1.0 | 1.0 |
| Actual member contributions | 0.5 | 0.5 |
| Actual benefit payments | (17.8) | (16.2) |
| Fair value of scheme assets at the end of the year | 485.2 | 458.8 |

Actual return on scheme assets

| | 2018 £m | 2017 £m |
|----------------------------------|-------------|------------|
| Expected return on scheme assets | 11.6 | 10.4 |
| Asset gain | 20.4 | 30.3 |
| | 32.0 | 40.7 |

History of experience gains and losses

| | 2018 | 2017 | 2016 | 2015 | 2014 |
|--|--------------|--------|---------|--------|--------|
| Difference between actual and expected return on scheme assets: | | | | | |
| Amount (£m) | 20.4 | 30.3 | 29.7 | 21.5 | (6.1) |
| % of assets at end of year | 4.2% | 6.6% | 7.1% | 5.9% | (1.8%) |
| Experience gains/(losses) on scheme liabilities: | | | | | |
| Amount (£m) | 79.8 | (35.5) | (71.1) | (24.7) | (35.7) |
| % of liabilities at end of year | 14.8% | (5.8%) | (12.8%) | (4.4%) | (8.2%) |

Notes to the financial statements (continued)

32. Financial Instruments

| 32. Financial Instruments | | 2018 | | 2017 | |
|---|---------|--------------------|------------------|--------------------|------------------|
| | 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 | 570.8 | 573.7 | 530.6 | 535.5 |
| <i>Measured at amortised cost</i> | | | | | |
| Trade and other receivables | 16 | 116.7 | 100.3 | 106.9 | 93.0 |
| Investments in short term deposits | 17 | 180.0 | 180.0 | 195.0 | 195.0 |
| Amounts due from subsidiary companies | 16 | - | 3.7 | - | 4.7 |
| | | 867.5 | 857.7 | 832.5 | 828.2 |
| Financial liabilities | | | | | |
| <i>Measured at amortised cost</i> | | | | | |
| Unsecured loans | 18 & 19 | 383.8 | 383.8 | 321.0 | 321.0 |
| Trade payables | 18 | 40.1 | 37.7 | 38.7 | 35.7 |
| Accruals and deferred income | 18 | 254.2 | 248.4 | 247.9 | 242.5 |
| Other long-term creditors | 19 | 0.7 | 0.7 | 0.7 | 0.7 |
| Finance lease liabilities | 18 | 0.2 | 0.2 | 1.0 | 1.0 |
| Amounts due to subsidiary companies | 18 | - | 24.6 | - | 0.9 |
| | | 679.0 | 695.4 | 609.3 | 601.9 |

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 then, also 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 | 2018 Total £'000 | 2017 Total £'000 |
|-------------------------------|--------------------------|---|--|----------------------|---------------------------------|------------------------|
| Balance at 1 August | - | - | - | - | - | - |
| Allocation received in year | 283 | 800 | 213 | 5 | 1,301 | 1,326 |
| Expenditure | (283) | (876) | (138) | (4) | (1,301) | (1,323) |
| Repaid to Scottish Government | - | - | - | (1) | (1) | (5) |
| Interest received | - | 1 | - | - | 1 | 2 |
| Virements | - | 75 | (75) | - | - | - |
| Balance at 31 July | - | - | - | - | - | - |

Notes to the financial statements (continued)

34. Related Party Transactions

| | Income £'000 | Expenditure £'000 | 2018 total £'000 | Balance due at 31 July 2018 £'000 |
|--|-----------------|----------------------|------------------------|--|
| Banking Standards Board | - | 1 | 1 | - |
| British Library | - | 34 | 34 | - |
| Edinburgh College | - | 10 | 10 | - |
| Fios Genomics Ltd | - | 4 | 4 | - |
| J Sainsburys | 23 | 7 | (16) | - |
| LBS AQR Institute of Asset Management | - | 1 | 1 | - |
| Newbattle Abbey | 1 | 9 | 8 | - |
| Northumbria University | 2 | 62 | 60 | - |
| Pleasance Theatre Trust Ltd | - | 3 | 3 | - |
| Prudential | - | 2,094 | 2,094 | 30,000 |
| Scottish Association for Marine Science (SAMS) | 7 | 1 | (6) | - |
| Scottish Fiscal Commission | 3 | - | (3) | - |
| Scottish Water | 29 | 113 | 84 | - |
| Universitas 21, LBG | 4 | - | (4) | - |
| | 69 | 2,339 | 2,270 | 30,000 |

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 (2017: nil).

The total expenses paid to or on behalf of three Court members was £14,085.54 (2017: £2,000.88). 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 debt held at the Prudential at the year end. The Vice-Convenor of Court was an employee of the Prudential over the duration of the year but was not an employee 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

| | 2018 £m | 2017 £m | 2016 £m | 2015 £m |
|---|--------------|--------------|--------------|--------------|
| Income | | | | |
| Tuition fees and education contracts | | | | |
| Home and EU higher education students | 119.7 | 109.1 | 102.7 | 88.0 |
| Non-EU fees | 168.1 | 150.3 | 131.5 | 115.1 |
| Education grants | 24.2 | 19.1 | 20.9 | 18.7 |
| Total tuition fees | 312.0 | 278.5 | 255.0 | 221.7 |
| Funding body grants | | | | |
| Recurrent teaching grant | 65.6 | 64.6 | 67.7 | 72.5 |
| Recurrent research grant | 85.4 | 89.2 | 92.4 | 100.9 |
| Specific grants | 35.7 | 38.1 | 34.5 | 25.5 |
| Total funding body grants | 186.7 | 191.8 | 194.5 | 198.9 |
| Research grants and contracts | | | | |
| Research councils | 116.3 | 117.6 | 121.1 | 114.8 |
| UK based charities | 59.4 | 58.1 | 49.7 | 46.1 |
| UK central government bodies, local and health authorities | 30.3 | 26.3 | 22.8 | 17.4 |
| UK industry, commerce and public corporations | 9.6 | 7.8 | 8.4 | 7.5 |
| EU government bodies | 36.2 | 31.8 | 29.6 | 26.4 |
| EU other | 4.4 | 3.4 | 2.9 | 2.9 |
| Other overseas | 16.1 | 11.1 | 8.0 | 7.2 |
| Other sources | 7.4 | 9.2 | 11.3 | 8.8 |
| Total research grants and contracts (excluding RDEC) | 279.7 | 265.3 | 253.9 | 231.2 |
| Other income | | | | |
| Residences, catering and conferences | 71.6 | 67.9 | 62.8 | 54.6 |
| Specific grants, donations and other designated income | 62.5 | 30.8 | 32.5 | 33.9 |
| General income | 34.3 | 58.1 | 65.9 | 57.3 |
| Total other income | 168.4 | 156.8 | 161.3 | 145.7 |
| Investment income | | | | |
| Income from expendable endowments | 5.9 | 5.7 | 6.2 | 6.7 |
| Income from permanent endowments | 2.9 | 2.8 | 3.0 | 3.8 |
| Other investment income | 3.0 | 2.6 | 1.0 | 0.5 |
| Other interest receivable | 2.7 | 3.4 | 3.1 | 3.6 |
| Total investment income | 14.5 | 14.5 | 13.3 | 14.6 |
| Total income before endowments and donations | 961.3 | 907.0 | 878.0 | 812.1 |
| Donations and endowments | | | | |
| New endowments | 1.4 | 1.7 | 4.4 | 2.0 |
| Donations with restrictions | 19.6 | 16.2 | 5.5 | 10.4 |
| Unrestricted donations | 2.1 | 4.0 | 1.5 | - |
| Total donations and endowments | 23.1 | 21.9 | 11.5 | 12.4 |
| Total income | 984.4 | 928.8 | 889.5 | 824.5 |

2007 SORP

GROUP INCOME AND EXPENDITURE ACCOUNT
FOR THE YEAR TO 31 JULY

| | 2014 £m |
|---|--------------|
| Income | |
| Tuition fees | |
| Home and EU higher education students | 74.7 |
| Non-EU fees | 100.9 |
| Education grants | 18.4 |
| Total tuition fees | 194.1 |
| Funding body grants | |
| Recurrent teaching grant | 76.3 |
| Recurrent research grant | 100.4 |
| Specific grants | 23.1 |
| Deferred capital grants released in year | 4.3 |
| Total funding body grants | 204.1 |
| Research grants and contracts | |
| Research councils | 109.1 |
| UK-based charities | 43.2 |
| UK central, government bodies, local and health authorities | 17.9 |
| UK industry, commerce and public corporations | 5.4 |
| EU government bodies | 24.3 |
| EU other | 2.1 |
| Other overseas | 6.7 |
| Other sources | 7.2 |
| Total research grants and contracts | 215.9 |
| Other operating income | |
| Residences, catering and conferences | 50.2 |
| Specific grants, donations and other designated income | 35.2 |
| General income | 57.6 |
| Released from deferred capital grants | 2.3 |
| Benefit on acquisition | 2.1 |
| Total other operating income | 147.4 |
| Endowment income and interest receivable | |
| Income from expendable endowments | 6.7 |
| Income from permanent endowments | 3.7 |
| Other investment income | 0.3 |
| Other interest receivable | 8.4 |
| Total endowment income and interest receivable | 19.1 |
| Total income | 780.6 |

Five-year summary (unaudited) (continued)

FRS 102

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

| | 2018 £m | 2017 £m | 2016 £m | 2015 £m |
|---|--------------|--------------|--------------|--------------|
| Expenditure | | | | |
| Staff costs | | | | |
| Salaries and wages | 385.8 | 367.0 | 354.6 | 342.7 |
| Social security costs | 40.8 | 37.1 | 30.1 | 27.4 |
| Pension costs | 92.8 | 91.3 | 81.0 | 75.4 |
| Movement on USS provision | (0.7) | (4.9) | 10.0 | 46.5 |
| Other unfunded pension costs | - | 0.1 | 0.1 | 0.8 |
| Severance costs | 2.7 | 2.0 | 2.1 | 1.5 |
| Total staff costs | 521.4 | 492.6 | 477.9 | 494.4 |
| Other operating expenses | | | | |
| Academic and related expenditure | 75.4 | 66.5 | 63.6 | 61.9 |
| Scholarships & stipends | 33.0 | 31.6 | 29.9 | 25.8 |
| Research grants and contracts | 104.8 | 96.6 | 96.5 | 79.7 |
| Library, computer and other academic support services | 16.1 | 15.7 | 11.8 | 9.9 |
| Administration and central services | 20.9 | 21.5 | 20.4 | 17.9 |
| Refurbishment and maintenance | 24.1 | 16.2 | 16.9 | 21.3 |
| Utilities costs | 17.2 | 16.9 | 17.2 | 21.4 |
| Other premises costs | 12.1 | 9.7 | 11.3 | 8.2 |
| Other including income generating operations | 16.1 | 9.9 | 13.8 | 13.9 |
| Residences and catering operations | 39.0 | 34.3 | 31.7 | 31.0 |
| Total other operating expenses | 358.7 | 318.9 | 313.1 | 291.0 |
| Depreciation | 60.2 | 46.7 | 40.3 | 34.2 |
| Interest and other finance costs | 16.8 | 14.5 | 12.8 | 11.1 |
| Total expenditure | 957.1 | 872.6 | 844.0 | 830.6 |
| Surplus/(deficit) before other gains and losses | 27.3 | 56.2 | 45.5 | (6.1) |
| Exceptional items (RDEC) | - | - | 19.0 | 21.9 |
| Tax and minority interest | - | - | (3.9) | (5.0) |
| Gain on disposal of fixed assets | 0.2 | 8.0 | 0.5 | - |
| Gain on investments | 42.4 | 66.2 | 28.9 | 15.9 |
| Surplus for the year | 69.9 | 130.4 | 90.0 | 26.7 |
| Unrealised surplus on revaluation of heritage assets | - | - | 7.2 | 29.4 |
| Actuarial loss in respect of pension schemes | 101.0 | (5.1) | (41.1) | (3.2) |
| Total comprehensive income for the year | 170.9 | 125.3 | 56.2 | 52.9 |

2007 SORP

GROUP INCOME AND EXPENDITURE ACCOUNT FOR THE YEAR TO 31 JULY

| | 2014 £m |
|--|--------------|
| Expenditure | |
| Staff costs | |
| Salaries and wages | 312.8 |
| Social security costs | 25.5 |
| Other pension costs | 68.9 |
| Unfunded pensions | 0.9 |
| Severance costs | 1.8 |
| Total staff costs | 410.0 |
| Other operating expenses | |
| Academic and related expenditure | 58.7 |
| Scholarships & stipends | 23.0 |
| Research grants and contracts | 83.9 |
| Library, computer and other academic support services | 13.2 |
| Administration and central services | 18.4 |
| Refurbishment and maintenance | 32.5 |
| Utilities costs | 17.6 |
| Premises | 9.8 |
| Other including income generating operations | 13.1 |
| Residences and catering operations | 29.1 |
| Total other operating expenses | 299.4 |
| Depreciation | 32.3 |
| Interest payable | 5.5 |
| Total expenditure | 747.2 |
| Surplus on continuing operations | 33.4 |
| Exceptional items | - |
| Tax and minority interest | - |
| Gain on disposal of assets | - |
| Transfers from/(to) endowment reserves | (3.0) |
| Surplus retained within general reserves | 30.4 |
| Transfers (from)/to endowment reserves | 3.0 |
| Surplus after depreciation of assets at valuation, taxation and minority interest | 33.4 |
| Unrealised surplus on revaluation of tangible fixed assets – heritage assets | 2.7 |
| New endowments and appreciation on endowment and investments | 11.7 |
| Actuarial gain/(loss) in respect of pension schemes | (43.3) |
| Total gain recognised during the current year | 4.5 |

Five-year summary (unaudited) (continued)

FRS 102

CONSOLIDATED BALANCE SHEET AT 31 JULY

| | 2018 £m | 2017 £m | 2016 £m | 2015 £m |
|---------------------------------------|----------------|------------|------------|------------|
| Fixed assets | 1,741.1 | 1,617.0 | 1,493.0 | 1,399.0 |
| Heritage assets | 212.8 | 212.0 | 212.0 | 205.0 |
| | 1,953.9 | 1,829.0 | 1,705.0 | 1,604.0 |
| Investments | 570.8 | 531.0 | 471.0 | 327.0 |
| Current assets | 553.5 | 571.0 | 531.0 | 495.0 |
| Total assets | 3,078.2 | 2,931.0 | 2,707.0 | 2,426.0 |
| Less current liabilities | (311.7) | (305.0) | (276.0) | (253.0) |
| Total assets less current liabilities | 2,766.5 | 2,626.0 | 2,431.0 | 2,173.0 |
| Non-current liabilities | (386.4) | (319.0) | (257.0) | (93.0) |
| Pension provisions | (163.3) | (261.0) | (254.0) | (216.0) |
| TOTAL NET ASSETS | 2,216.8 | 2,046.0 | 1,920.0 | 1,864.0 |
| | | | | |
| Restricted reserves | 481.0 | 440.0 | 383.0 | 350.0 |
| Unrestricted reserves | 1,735.8 | 1,606.0 | 1,537.0 | 1,514.0 |
| TOTAL FUNDS | 2,216.8 | 2,046.0 | 1,920.0 | 1,864.0 |

2007 SORP

GROUP BALANCE SHEET
AS AT 31 JULY

| | 2014 £m |
|---------------------------------------|----------------|
| Fixed assets | |
| Heritage assets | |
| | 1,421.0 |
| Endowment assets | 298.0 |
| Current assets | 477.0 |
| Total assets | 2,196.0 |
| Less current liabilities | (260.0) |
| Total assets less current liabilities | 1,936.0 |
| Non-current liabilities | (106.0) |
| Pension liability and provisions | (113.0) |
| TOTAL NET ASSETS | 1,717.0 |
| | |
| Represented by: | |
| Deferred capital grants | 378.0 |
| Endowments | 298.0 |
| | |
| Reserves | 1,041.0 |
| TOTAL FUNDS | 1,717.0 |

Five-year summary (unaudited) (continued)

| | | 2018 | 2017 | 2016 | 2015 | 2014 |
|---|------|-------------|------|------|--------|------|
| Liquidity measures | | | | | | |
| Liquidity ratio ([current assets - stock] / current liabilities) | x | 1.8 | 1.9 | 1.9 | 2.0 | 1.8 |
| <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 | 169 | 197 | 179 | 167 | 194 |
| <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 | 2.6 | 3.9 | 5.1 | 1.4 | 6.0 |
| <i>Measures the ability to pay interest on outstanding debt</i> | | | | | | |
| Interest cover (operating cash flow/ interest payable) | x | 3.3 | 6.7 | 6.7 | 5.7 | 9.5 |
| <i>Measures how easily the University can pay outstanding debt in cash terms</i> | | | | | | |
| Gearing (creditors > 1 year / endowment + general reserves including pension reserve) | % | 20% | 18% | 24% | 11% | 8.0% |
| <i>Measures the extent to which the University is funded by long-term debt</i> | | | | | | |
| Operating performance | | | | | | |
| Surplus before other gains and losses | % | 2.8% | 6.1% | 6.8% | (0.7%) | 4.3% |
| <i>Measures the ability to deliver surpluses</i> | | | | | | |
| ROCE (EBITDA/[total assets - pension provisions]) | | 2.5% | 3.0% | 4.6% | 2.1% | 3.0% |
| <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 | 60 | 69 | 92 | 43 | n/a |
| 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 | 55 |
| <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

| | 2018 % total | 2017 % total | 2016 % total | 2015 % total |
|--|-----------------|-----------------|-----------------|-----------------|
| Income | | | | |
| Tuition fees and education contracts | | | | |
| Home and EU higher education students | 12.2% | 11.7% | 11.5% | 10.7% |
| Non-EU fees | 17.0% | 16.2% | 14.8% | 14.0% |
| Education grants | 2.5% | 2.1% | 2.3% | 2.3% |
| Tuition fees as % of total income | 31.7% | 30.0% | 28.6% | 26.9% |
| Funding body grants | | | | |
| Recurrent teaching grant | 6.7% | 7.0% | 7.6% | 8.8% |
| Recurrent research grant | 8.7% | 9.6% | 10.4% | 12.2% |
| Specific grants | 3.6% | 4.1% | 3.9% | 3.1% |
| Funding body grants as % of total income | 19.0% | 20.7% | 21.9% | 24.1% |
| Research grants and contracts | | | | |
| Research councils | 11.8% | 12.7% | 13.6% | 13.9% |
| UK based charities | 6.0% | 6.3% | 5.6% | 5.6% |
| UK central government bodies, local and health authorities | 3.1% | 2.8% | 2.6% | 2.1% |
| UK industry, commerce and public corporations | 1.0% | 0.8% | 0.9% | 0.9% |
| EU government bodies | 3.7% | 3.4% | 3.3% | 3.2% |
| EU other | 0.4% | 0.4% | 0.3% | 0.3% |
| Other overseas | 1.6% | 1.2% | 0.9% | 0.9% |
| Other sources | 0.8% | 1.0% | 1.3% | 1.1% |
| Research grants and contracts as % of total income | 28.4% | 28.6% | 28.5% | 28.0% |
| Other income | | | | |
| Residences, catering and conferences | 7.4% | 7.3% | 7.1% | 6.7% |
| Specific grants, donations and other designated income | 6.3% | 3.3% | 3.7% | 4.1% |
| General income | 3.5% | 6.3% | 7.4% | 6.9% |
| Other income as % of total income | 17.2% | 16.9% | 18.2% | 17.7% |
| Investment income | | | | |
| Income from expendable endowments | 0.6% | 0.6% | 0.7% | 0.8% |
| Income from permanent endowments | 0.3% | 0.3% | 0.3% | 0.5% |
| Other investment income | 0.3% | 0.3% | 0.2% | 0.1% |
| Other interest receivable | 0.3% | 0.4% | 0.3% | 0.4% |
| Net return on pension scheme assets | | | | |
| Total investment income as % of total income | 1.5% | 1.6% | 1.5% | 1.8% |
| Total income before endowments and donations as % of total income | 97.8% | 97.6% | 98.7% | 98.5% |
| Donations and endowments | | | | |
| New endowments | 0.1% | 0.2% | 0.5% | 0.2% |
| Donations with restrictions | 2.0% | 1.8% | 0.6% | 1.3% |
| Unrestricted donations | 0.2% | 0.4% | 0.2% | 0.0% |
| Total donations and endowments as % of total income | 2.2% | 2.4% | 1.3% | 1.5% |
| Total income £m | 984.4 | 928.8 | 889.5 | 824.5 |

2007 SORP

GROUP INCOME AND EXPENDITURE ACCOUNT FOR THE YEAR TO 31 JULY

| | 2014 % total |
|--|-----------------|
| Income | |
| Tuition fees | |
| Home and EU higher education students | 9.6% |
| Non-EU fees | 12.9% |
| Education grants | 2.4% |
| Tuition fees as % of total income | 24.9% |
| Funding body grants | |
| Recurrent teaching grant | 9.8% |
| Recurrent research grant | 12.9% |
| Specific grants | 3.0% |
| Deferred capital grants released in year | 0.5% |
| Funding body grants as % of total income | 26.2% |
| Research grants and contracts | |
| Research councils | 14.0% |
| UK-based charities | 5.6% |
| UK central, government bodies, local and health authorities | 2.3% |
| UK industry, commerce and public corporations | 0.7% |
| EU government bodies | 3.1% |
| EU other | 0.3% |
| Other overseas | 0.9% |
| Other sources | 0.9% |
| Research grants and contracts as % of total income | 27.8% |
| Other operating income | |
| Residences, catering and conferences | 6.4% |
| Specific grants, donations and other designated income | 4.2% |
| General income | 7.4% |
| Released from deferred capital grants | 0.3% |
| Benefit on acquisition | 0.3% |
| Other operating income as % of total income | 18.6% |
| Endowment income and interest receivable | |
| Income from expendable endowments | 0.9% |
| Income from permanent endowments | 0.5% |
| Other investment income | 0.0% |
| Other interest receivable | 1.1% |
| Endowment income and interest receivable as % of total income | 2.5% |
| Total income £m | 780.6 |

Five-year summary (unaudited) (continued)

FRS 102

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

| | 2018 % total | 2017 % total | 2016 % total | 2015 % total |
|---|-----------------|-----------------|-----------------|-----------------|
| Expenditure | | | | |
| Staff costs | | | | |
| Salaries and wages | 40.3% | 42.0% | 42.0% | 41.2% |
| Social security costs | 4.3% | 4.3% | 3.6% | 3.3% |
| Pension costs | 9.7% | 10.5% | 9.6% | 9.1% |
| Movement on USS provision | (0.1%) | (0.6%) | 1.2% | 5.6% |
| Other unfunded pension costs | 0.0% | 0.0% | 0.0% | 0.1% |
| Severance costs | 0.3% | 0.2% | 0.2% | 0.2% |
| Staff costs as % of total expenditure | 54.5% | 56.4% | 56.6% | 59.5% |
| Other operating expenses | | | | |
| Academic and related expenditure | 7.8% | 7.6% | 7.7% | 7.3% |
| Scholarships & stipends | 3.4% | 3.6% | 3.5% | 3.1% |
| Research grants and contracts | 10.9% | 11.1% | 11.4% | 9.6% |
| Library, computer and other academic support services | 1.7% | 1.8% | 1.4% | 1.2% |
| Administration and central services | 2.2% | 2.5% | 2.4% | 2.2% |
| Refurbishment and maintenance | 2.5% | 1.9% | 2.0% | 2.6% |
| Utilities costs | 1.8% | 1.9% | 2.0% | 2.6% |
| Other premises costs | 1.3% | 1.1% | 1.3% | 1.0% |
| Other including income generating operations | 1.7% | 1.1% | 1.6% | 1.7% |
| Residences and catering operations | 4.1% | 3.9% | 3.8% | 3.7% |
| Other operating expenses as % of total expenditure | 37.4% | 36.5% | 37.1% | 35.0% |
| Depreciation as % of total expenditure | 6.3% | 5.4% | 4.8% | 4.1% |
| Interest payable as % of total expenditure | 1.8% | 1.7% | 1.5% | 1.3% |
| Total expenditure £m | 957.1 | 872.6 | 844.0 | 830.6 |
| Expenditure as % of total income | 97.2% | 93.9% | 94.9% | 100.7% |

2007 SORP

GROUP INCOME AND EXPENDITURE ACCOUNT
FOR THE YEAR TO 31 JULY

| | 2014 % total |
|---|-----------------|
| Expenditure | |
| Staff costs | |
| Salaries and wages | 41.9% |
| Social security costs | 3.4% |
| Other pension costs | 9.2% |
| Severance costs | 0.2% |
| Unfunded pensions | 0.1% |
| Staff costs as % of total expenditure | 54.8% |
| Other operating expenses | |
| Academic and related expenditure | 10.1% |
| Research grants and contracts | 11.2% |
| Library, computer and other academic support services | 1.8% |
| Administration and central services | 3.3% |
| Premises | 8.0% |
| Other including income generating operations | 1.8% |
| Residences and catering operations | 3.9% |
| Other operating expenses as % of total expenditure | 40.1% |
| Depreciation as % of total expenditure | 4.3% |
| Interest payable as % of total expenditure | 0.7% |
| Total expenditure £m | 747.2 |
| Expenditure as % of total income | 95.7% |

Notes

Notes

Notes

What makes us Edinburgh

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

Launched
Edinburgh Local



a University-wide initiative
to strengthen relationships
between the University and
local communities



18th
in the World

QS World University Rankings

160
nationalities



41,312
Students

25,951 undergraduate students



15,361 Postgraduate students

Staff:



7,105
Academic



7,912
Professional Services



Surplus before other
gains and losses

£27.3m
2017/18

£56.2m 2016/17



1st in Scotland
and 4th in UK
for Research power

Research Excellence Framework 2014

200



water points are being
installed across campus

63% increase in funding received for student and staff mobility

The university is made up of
3 colleges
which collectively host
20 schools



A global
community of
over 260,000
people

The university is made up
of 3 professional services groups



Information
Services



University
Services



Corporate
Services

The University has made a
commitment to become a net

zero carbon
university by 2040



Alumni
Robert Louis Stevenson
Dr Robert Knox
James Hutton
Dr Isabella Pringle
at the forefront of knowledge since 1583

£35 million
research and teaching
initiative safeguarding
the future of the
world's food supplies



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