



THE UNIVERSITY *of* EDINBURGH
Annual Report and Accounts
for the Year to 31 July 2016

www.ed.ac.uk

The University of Edinburgh at a glance

Our strategic goals

Excellence in education

To stimulate in our students a lifelong thirst for knowledge and learning and to encourage a pioneering, innovative and independent attitude and an aspiration to achieve success within and beyond the University.



Our percentage of UK/EU graduates in employment or further study six months after graduating is 93.4 per cent.*

*Source: HESA Destination of Leavers of Higher Education survey, published July 2016.

University world league table position*

QS
THE

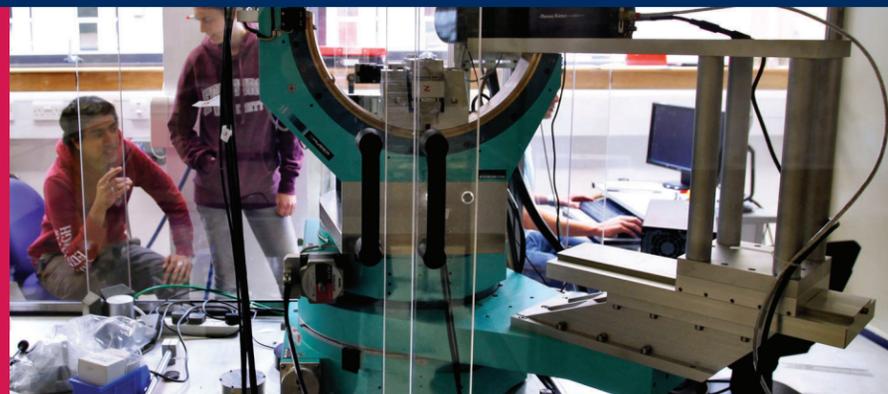
19th
27th



*Sources: QS World University Rankings 2015/16 and Times Higher Education World University Rankings 2015/16

Excellence in innovation

To ensure our knowledge, ideas, skills and expertise are transformed into advice and opinion, innovation, intellectual property, enterprise and wealth, thereby realising national and international objectives and enriching society.



35:43

The University created 35 start-up companies and signed 43 revenue-bearing licences in 2015/16.



Excellence in research

To foster a vibrant, successful and interactive research community that generates ideas and discoveries, creates new fields of knowledge and makes a difference to the societal, cultural, environmental, health and wealth development of Scottish, UK and global communities.



5%

The number of research applications in 2015/16 grew by five per cent.

Total research income (£m)*

2016	254
2015	231
2014	216



*Figures exclude exceptional items.

Our vision

To recruit and develop the world's most promising students and most outstanding staff and be a truly global university benefiting society as a whole.

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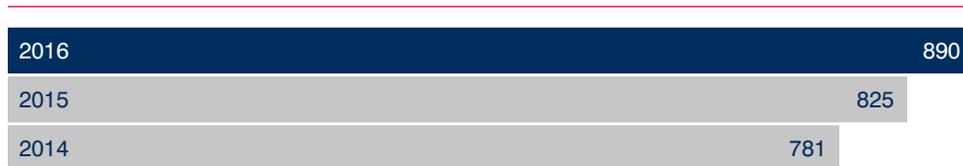
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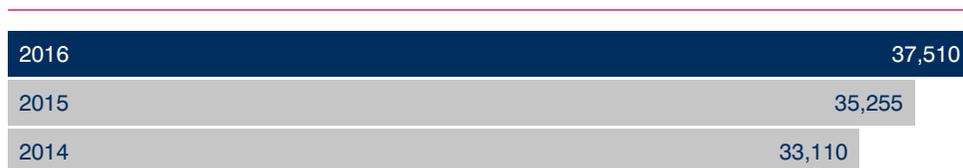
Highlights of 2016: a strong financial position

For the first time, we report our financial results under the new Financial Reporting Standard (FRS 102). More details of the changes can be found on pages 31 and 54 of this document.

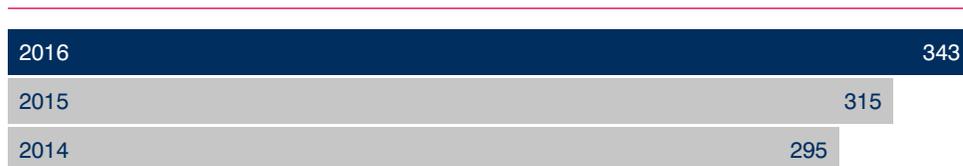
Total revenue (£m)*



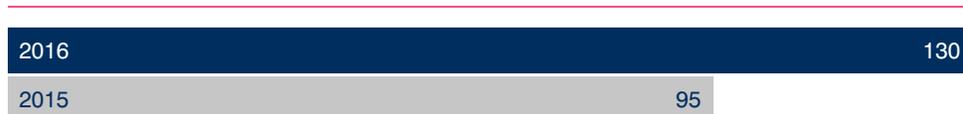
Student numbers



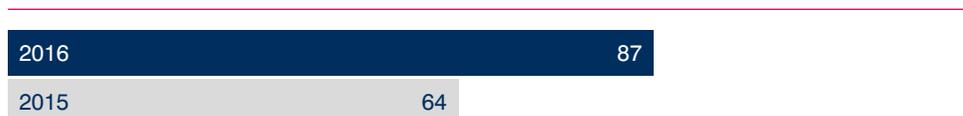
Endowment fund value (£m)



Cash expenditure on fixed assets (£m)



Net cash inflow from operating activities (£m)



Estate programme - indicative forecast project spend (cumulative)



£8.8m

We awarded £8.8 million through our three main UK undergraduate bursary schemes.

43%

The percentage of students from outside the UK.

10.5

Our undergraduate applicant-to-enrolments ratio was 10.5 for the 2015/16 academic year.

8.9%

The University's annual return on endowment funds.

10%

Income from research grants and contract grew by 10 per cent year-on-year.

£130m

Cash spent on capital projects and equipment was £130 million in 2015/16. This reflects our ambitious capital plan but has consumed 40 per cent more cash than generated from operating activities in year.

Our investments range from stewarding some of the city of Edinburgh's finest listed buildings (McEwan Hall and Old College), state of the art research facilities (the Data Technology Institute) and leading-edge environmental projects (Easter Bush Energy Centre).

To view our **Annual Report and Accounts** online, please visit:

www.ed.ac.uk/finance/accounts

*figures exclude exceptional items

Vice-Convener of Court's introduction

In this year's Annual Report and Accounts we cover a broad range of integrated activities that demonstrate the very significant contribution Edinburgh makes to education, research, innovation and, of course, society as a whole. We are a large university in a small country, with an enviable reputation for making a positive impact on the world, and 2016 has been yet another successful year for us despite a very challenging funding environment and increased competition both here in the UK and internationally.

This year also brings us to the end of the University's current strategic plan period, 2012-2016, and the following pages highlight the hard work and dedication of our students, staff and supporters that have enabled our many and varied successes during this period. We aim to build on the solid foundation of the past five years with our new *Strategic Plan 2016*, which was agreed by Court in June. This new plan outlines how we will deliver on the themes highlighted in the *Strategic Vision 2025*, which can be found at www.ed.ac.uk/governance-strategic-planning/strategic-planning/strategic-vision-2025.

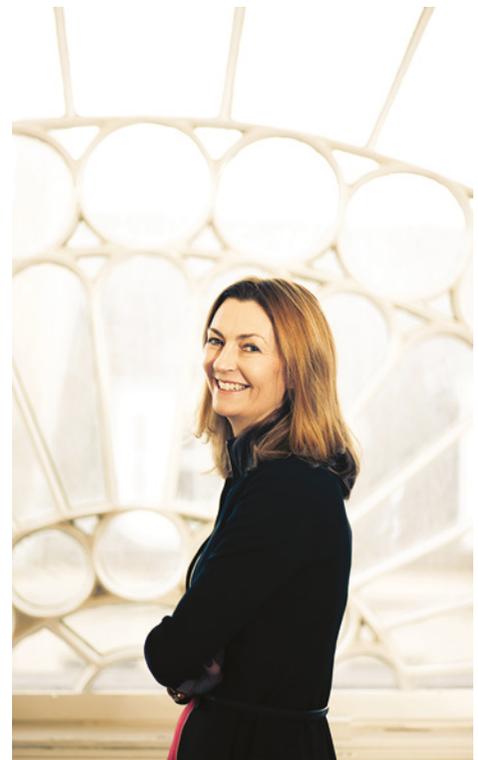
On 23 June 2016 the UK electorate voted in a national referendum to leave the European Union. Despite the challenges ahead and uncertainty at this early stage, there is no immediate material change for our staff, students and EU-funded programmes. The University of Edinburgh has been influencing the world since 1583 and our global reputation is built on pioneering research and innovation, and world-class teaching. Set in the heart of a beautiful city and a country which is passionate about international relationships, we have always had a commitment to diversity and a community in which students and staff feel valued and welcome. This is something that we will continue to celebrate and embrace.

With an international outlook we continue to see the benefits of student and staff mobility and collaboration across borders. Our international students now represent 43 per cent of our total community, coming from 137 nations, with 28 per cent of our staff coming from 101 nations. Our strong links with universities in Europe and beyond include participation in the Erasmus exchange programme, and we are an active member of a number of international organisations including Universitas 21, the League of European Research Universities and the Coimbra Group. This approach makes the University the international powerhouse that is today.

Another major change occurred in 2016 with the commencement of the Higher Education Governance (Scotland) Act 2016, and we are implementing our planned programme to ensure compliance with its provisions.

Earlier this year Professor Sir Timothy O'Shea, Principal & Vice Chancellor, announced his intention to demit office on 30 September 2017. Since his appointment in 2002, the Principal has had a significant impact on the University. We have undergone a successful period of internationalisation and greatly expanded our breadth and depth of expertise under his leadership. The integration of the Edinburgh College of Art, the Roslin Institute and the Human Genetics Unit into the University has brought important new opportunities. We have also made great strides in attracting the most talented students and staff from around the world, and our commitment to digital education, through distance and e-learning programmes and innovative developments such as Massive Open Online Courses, has made us much more accessible. I know that I speak for current and past students, staff and supporters of the University when I say how grateful we are for his leadership and commitment to this great institution over the past 14 years.

We have now completed three open forum sessions and an online consultation as part of the process to recruit a new Principal. I would like to thank the colleagues and students across the University who participated, as their input has formed an important part of developing the job description and person specification for the next leader of this great institution, the recruitment process for whom is expected to run until early 2017.



Ms Anne Richards
Vice-Convener of Court

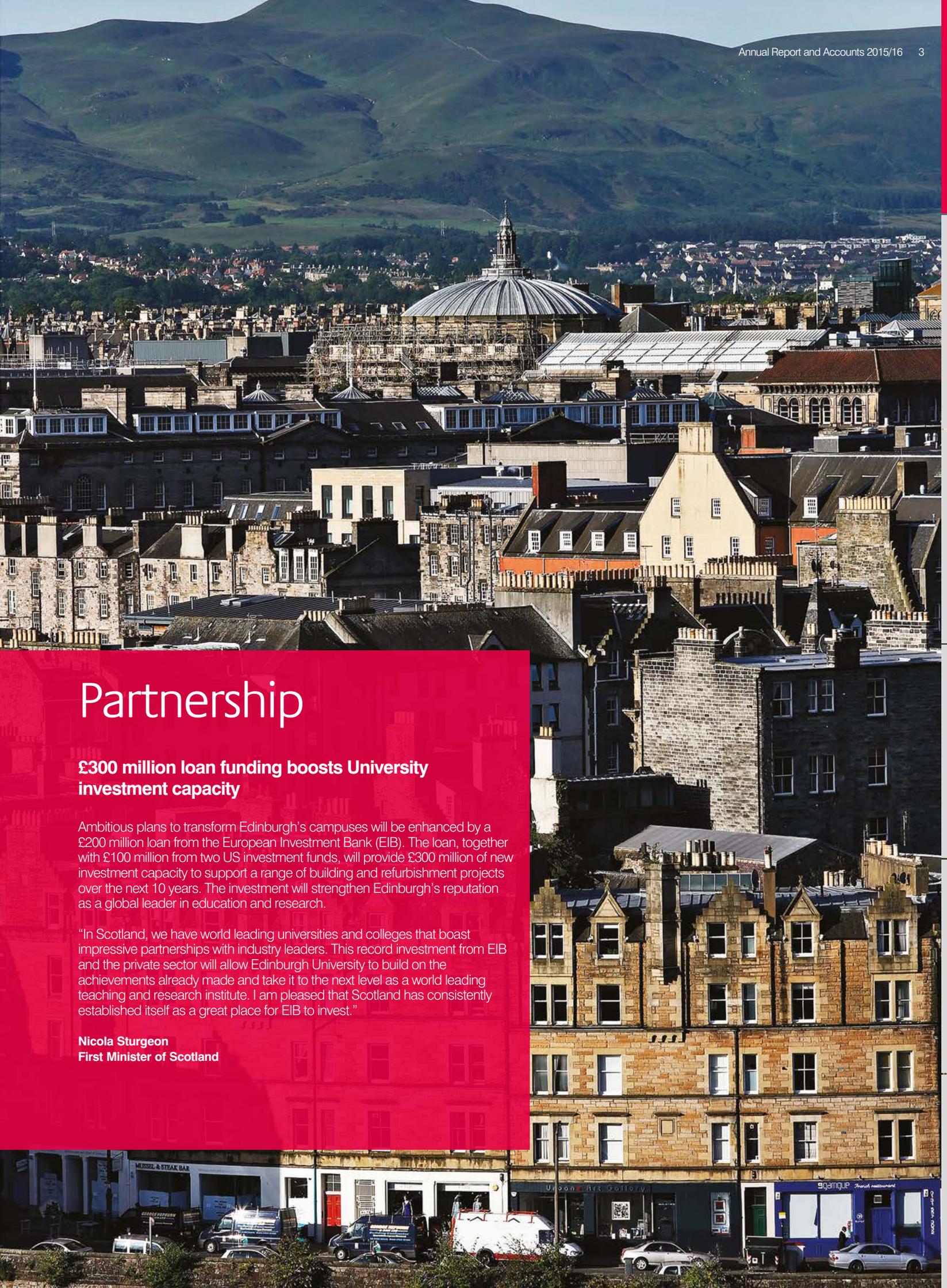
Partnership

£300 million loan funding boosts University investment capacity

Ambitious plans to transform Edinburgh's campuses will be enhanced by a £200 million loan from the European Investment Bank (EIB). The loan, together with £100 million from two US investment funds, will provide £300 million of new investment capacity to support a range of building and refurbishment projects over the next 10 years. The investment will strengthen Edinburgh's reputation as a global leader in education and research.

"In Scotland, we have world leading universities and colleges that boast impressive partnerships with industry leaders. This record investment from EIB and the private sector will allow Edinburgh University to build on the achievements already made and take it to the next level as a world leading teaching and research institute. I am pleased that Scotland has consistently established itself as a great place for EIB to invest."

Nicola Sturgeon
First Minister of Scotland



Principal's foreword

I would like to thank our exceptional students, talented staff and generous alumni for all they have done together to secure so many successes since I took up the post of Principal and Vice-Chancellor in 2002.



As a centre of academic excellence we aim to provide the highest quality learning and teaching experience possible. Building on and enhancing that experience remained a major priority in 2015/16. Throughout the year an increasingly interdisciplinary approach led to greater collaboration between academic schools.

I am also particularly pleased to report that our commitment to widening participation was further underlined this year by our investment of £8.8 million in our three main bursary schemes for UK undergraduates.

Innovation is one of the four central pillars of Scotland's Economic Strategy and the University of Edinburgh makes a significant contribution to job creation, growth and innovation – the critical factors that ensure long-term competitiveness and sustainable economic growth. We continue to make a strong intellectual and economic contribution to Scotland and the UK.

During the year we committed to a review of key professional service functions to ensure that we get the best from the sum of our efforts by building effective and efficient services. The initiative, known as the Service Excellence Programme, is being run by colleagues from all areas of the University. This joint approach is fundamental to ensuring we realise the full potential of the initiative. This programme will improve services for users, whether students, administrative staff or academics. It aims to remove duplication of effort and to re-deploy resources where appropriate. An evidence-based approach will improve and simplify processes, and improve data quality, which in turn will enhance and inform decision making.

The programme will help build understanding and openness, as well as improve communication and information flows, across the Colleges, Schools and Support Groups of the University. Crucially, the activity is also seen as an opportunity to build staff confidence, motivation, job satisfaction and professionalism across support functions. Digital Transformation will be a key enabler within the programme.

Elsewhere, a new Responsible Investment Policy was adopted in 2016 to support the transition to a low carbon economy. The proportion of Edinburgh's direct portfolio linked to fossil fuels has halved since 2013 and fallen by almost 90 per cent since 2008. Following a review, we have also decided to exclude coal, tar sands and controversial weapons from direct investments. Thanks to our new Climate Change Strategy launched in 2016, and, with support from the Scottish Funding Council (SFC), we are making great strides in this area. This includes developing a carbon modelling and scenarios tool, reviewing the most effective approaches to carbon reduction in the HE sector and developing business cases to support investment in renewable and energy reduction. We are also developing an Integrated Transport Strategy, which will facilitate sustainable travel between the different parts of the University's dispersed estate, as well as promoting more sustainable modes of business travel.

In terms of the bigger picture, the outcome of the EU referendum is a challenge for us but also an opportunity to focus even more strongly on international partnerships and online education. In September 2016 we launched our new strategic plan which aims to capture this, as well as recognising the scale and scope of current opportunities, and can be found at www.ed.ac.uk/governance-strategic-planning/strategic-planning/strategic-plan.

High-quality growth of teaching and research combined with enhancement of the student experience are my top two personal priorities as I commence my last 10 months of service at the University of Edinburgh. I would like to thank our exceptional students, talented staff and generous alumni for all they have done together to secure so many successes since I took up the post of Principal and Vice-Chancellor in 2002. Their continued commitment and collaboration makes me optimistic about the future of this great institution.

A handwritten signature in black ink, which appears to read 'Timothy O'Shea'. The signature is fluid and cursive.

Professor Sir Timothy O'Shea
Principal and Vice-Chancellor

Excellence in innovation

A century of animal genetics in Edinburgh

Dolly the sheep is a scientific icon and a household name. However, she is also a single chapter in a wider story which spans a century. Pioneers at Edinburgh and Roslin have embedded concepts like genetic engineering and stem cell research in the public consciousness, stimulating debate and revolutionising science and medicine.

From 31 July 2015 the University hosted 'Towards Dolly' - an exhibition celebrating Edinburgh's contributions to the field of genetic science, from animal breeding research in the early 1900s, to the cutting-edge stem cell techniques employed today.



Our value model

Our mission

The mission of the University is the creation, dissemination and curation of knowledge. As a world-leading centre of academic excellence we aim to:

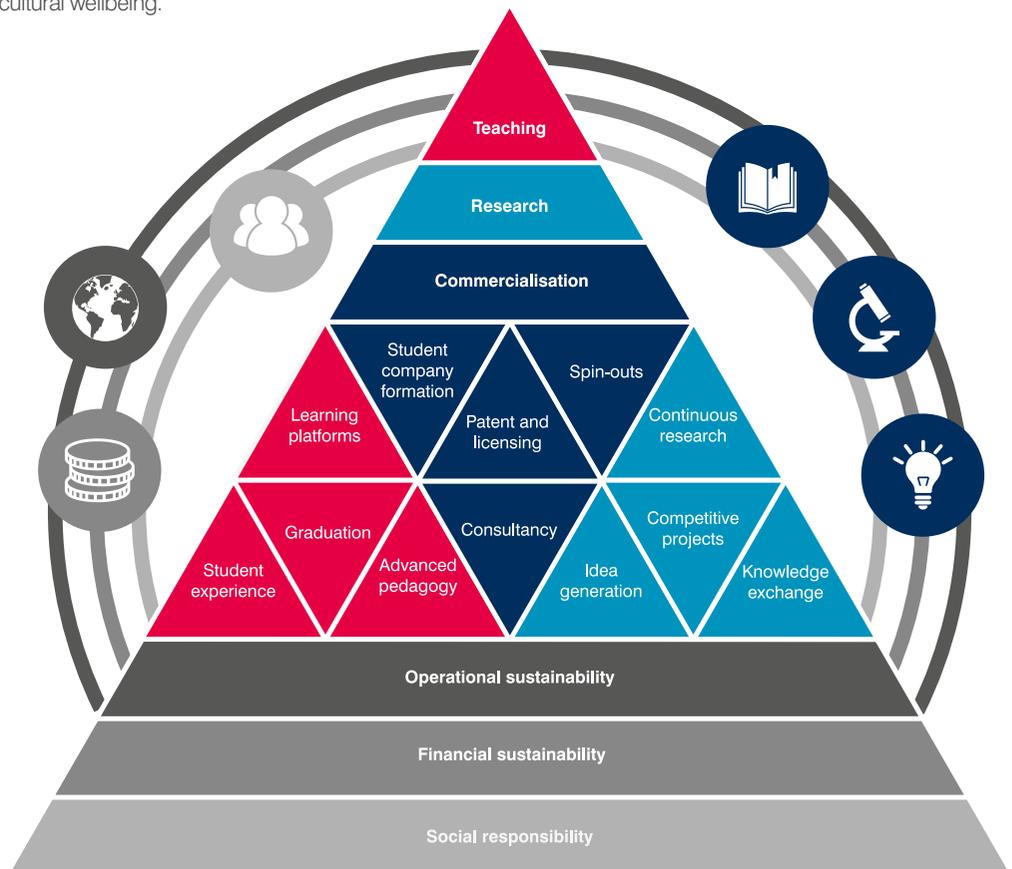
- enhance our position as one of the world's leading research and teaching universities and to measure our performance against the highest international standards;
- provide the highest quality learning and teaching environment for the greater wellbeing of our students, and deliver an outstanding educational portfolio;
- produce graduates fully equipped to achieve the highest personal and professional standards; and
- make a significant, sustainable and socially responsible contribution to Scotland, the UK and the world, promoting health, economic growth and cultural wellbeing.

Our value model

The University of Edinburgh has an established identity reflecting more than four centuries of success in educating its undergraduate and postgraduate students to high levels of attainment and conducting leading edge research. The University continues to contribute to finding ways of addressing and resolving major global challenges and in doing so creates value for society making a positive net impact locally and globally. We do this through our relationships with key stakeholders and the careful management of key societal, environmental and financial capital. As well as fulfilling our statutory responsibilities, we manage and examine these capitals in order to provide a lens through which we can further assess and report the extent to which we are creating value.

The academic work of the University can be summarised as the creation, dissemination and curation of knowledge. It comprises three interdependent streams of activity: teaching, research and commercialisation.

The value derived from these activities is expressed in our impact on societal needs and is reflected in our reputation, research awards and by student demand.



Environmental

We drive through leadership on many environmental 'hot topics' including: better building design in our campuses; research through the Edinburgh Centre for Climate Change Institute; a new policy to screen out certain companies involved in fossil fuel exploration; and creating more efficient means of generating energy.



Financial

The University must remain operationally robust and financially sustainable. We provide employment for more than 13,000 people and invest heavily in the support and development of our students. We generate cash flow to leverage funds from government, donors and from core academic institutions.



Societal

We educate future citizens and leaders from across the world and our Global Academies drive engagement with Government and key individuals. Our research helps to solve global challenges and address societal and technological problems.



Teaching

Delivering value in our teaching model requires that we communicate our distinctive offer to students and recruit those who will most benefit from learning within our research and practice-rich programmes. Those programmes depend on the creation and provision of effective learning materials, the provision of learning platforms (both physical and virtual), and the delivery of inspiring teaching and informative assessment. The wider student experience (feedback, interactive teaching and learning support, physical learning, living environment and experiences as well as personal development) impacts positively on the ability of the student to maximise the benefits of the learning experience. Income is generated through Government grants, tuition fees, contracts and through the generous donations of alumni and philanthropists.



Research

Successful, sustainable research requires a critical mass of human insight and excellent physical infrastructure at its core to provide the platform for dynamism and impact. Research funding is secured through the dual funding mechanism from UK and Scottish Governments (Research Councils and Research Excellence Grant) and from competitive industry, public and charitable sources in the UK and internationally.

The dual funding mechanism directly reflects the independent assessment (on a six to seven year cycle) of research quality and impact led by the four UK higher education funding bodies. The sustainability of the research value model depends on the volume, diversity and quality of the academic staff the University attracts and the volume, quality and relevance of the impact they generate. Research can be conducted by individuals or teams but is increasingly characterised by interdisciplinary, multi-institution collaborations and partnerships with companies and industry.

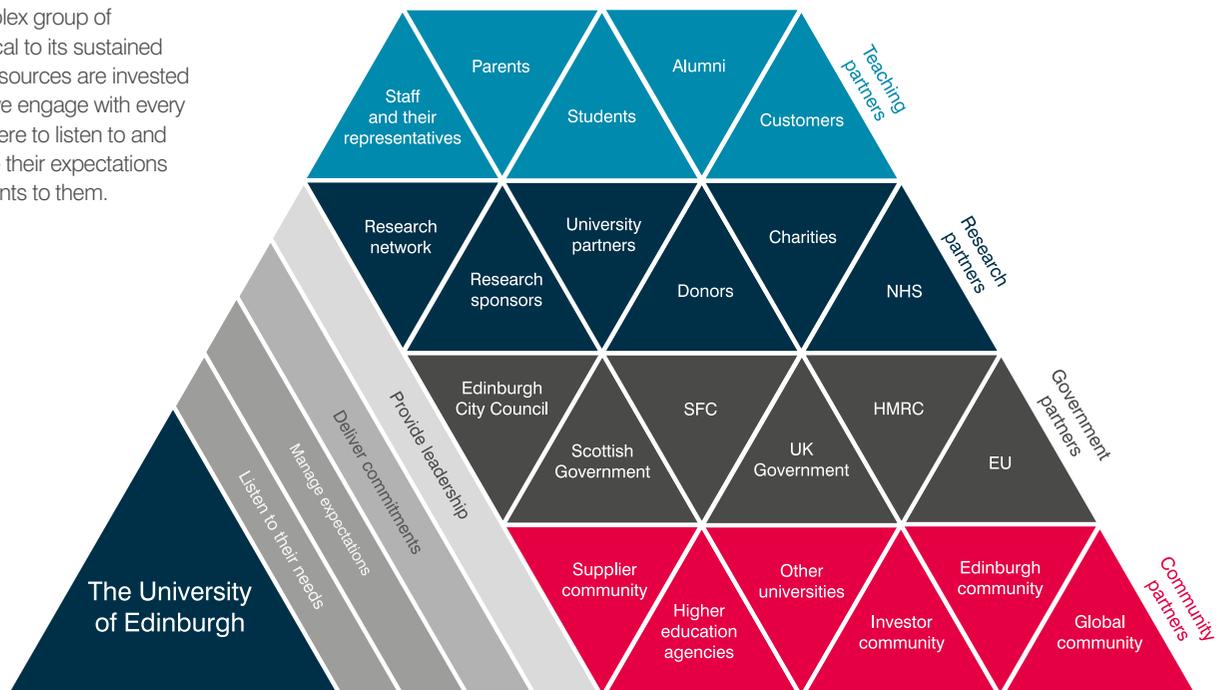


Commercialisation

The University of Edinburgh is one of the UK leaders in the successful commercialisation of the intellectual property generated from its world-class research, through licensing technologies to established companies and new University spin-outs. We attract co-investment to develop centuries of excellence in teaching and research that will improve company competitiveness.

Our stakeholders

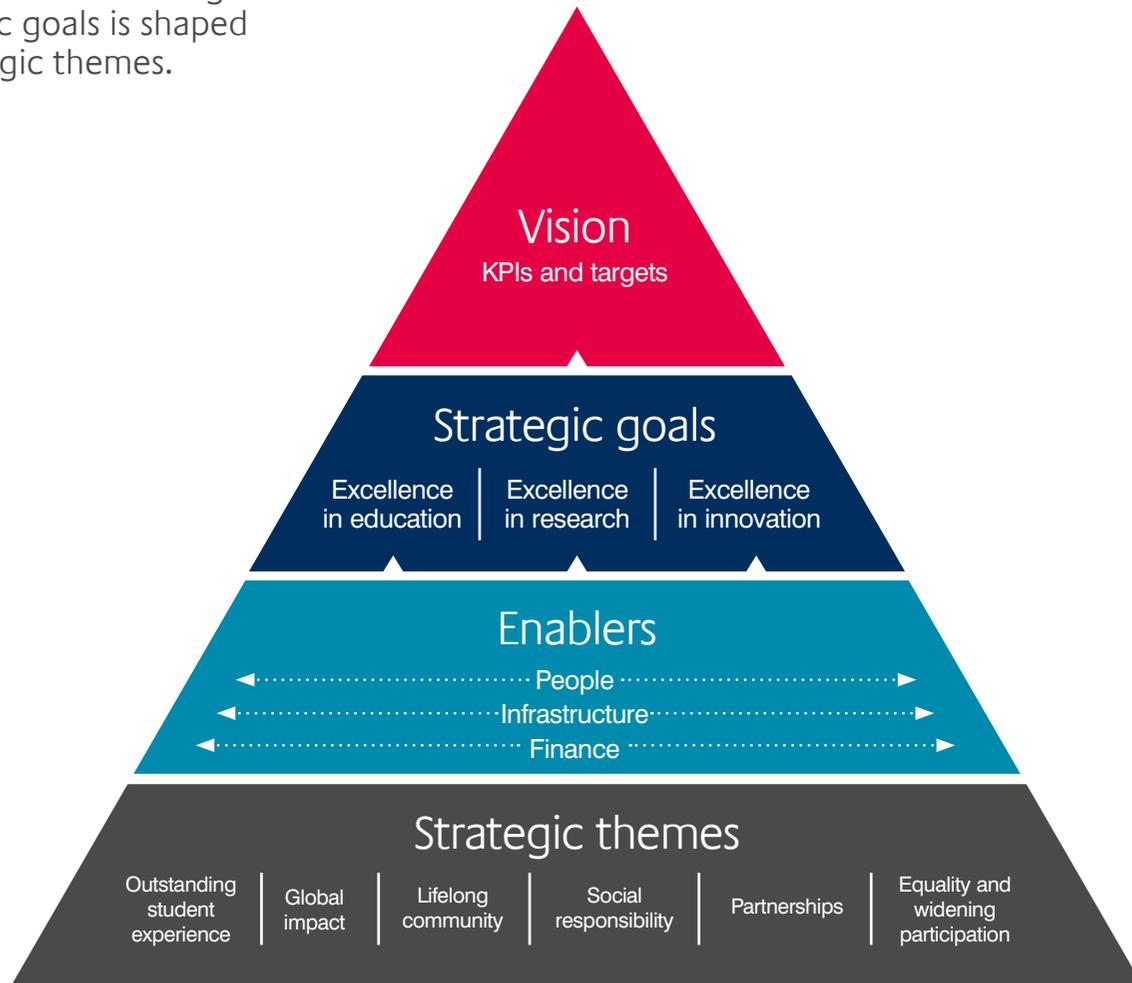
The University has a complex group of stakeholders who are critical to its sustained progress. Considerable resources are invested each year to ensure that we engage with every stakeholder group listed here to listen to and meet their needs, manage their expectations and deliver our commitments to them.



Our strategy

The University's strategic model

Our approach to achieving our strategic goals is shaped by six strategic themes.



Our structure

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

2015/16	Staff numbers	Student numbers	Expenditure £m
College of Medicine & Veterinary Medicine	2,376	5,851	219
College of Science & Engineering	3,458	9,145	192
College of Humanities and Social Sciences	2,900	22,514	147
University Secretary's Group	701	-	49
Corporate Services Group	3,016	-	117
Information Services Group	963	-	42
Corporate Group	190	-	78
Total	13,604	37,510	844

Sustainable laboratories

Laboratories are places where innovative research takes place and where global challenges are solved, but they also have a big environmental impact in terms of energy, water and waste.

At the University, laboratories have committed to taking innovative measures to improve their environmental performance and share best practice with colleagues from across the University through undertaking peer to peer audits as part of the Edinburgh Sustainability awards. Participants have developed unique projects, including: the first scheme in the UK to recycle scientists' disposable gloves; efforts to manage and recycle pipette tips; and, a project to recover and reuse helium.

These efforts were recognised at the Environmental Association of Universities and Colleges Green Gown Awards in 2015, when the University's sustainable laboratories programme won the 'Facilities and Services' category.

Further information is available online at www.ed.ac.uk/about/sustainability/about/programmes/sustainable-laboratories.

Our strategy

(continued)

Strategic plan

The following tables set out our assessment of progress during the final year of our current strategic plan. Our targets and key performance indicators have proved to be both stretching and focused in the context of significant change and challenge for the Higher Education sector during the plan period (2012-16); with changes in the tuition fee regimes introduced in 2012, changes to higher education policy and governance across the UK, and the EU referendum result in 2016.

Performance in this final report is presented as green (target achieved), amber (significant progress toward target achieved) and red (target missed). Measures marked N/A reflect where 2015/16 data is not available until next year. For those targets with final data available, 12 of the targets have been fully met. Whilst not meeting the challenging targets set, we have made significant progress towards achieving a further six targets. Significant activity is in place to improve performance in relation to the eight targets which have not been met. The performance framework for the University's *Strategic Plan 2016* is under development and will reflect both key medium-term outcome measures and leading indicators of performance.

N/A Performance data not yet available ↑ Increasing ↓ Decreasing ↔ Maintaining

Strategic goal	KPIs	Status	Targets	Red/amber/ green status
Excellence in education	Proportion of leavers achieving a successful outcome (degree, transfer or other award)	↔	Increase student satisfaction with academic and pastoral support	G
Excellence in research	Russell Group market share of research income (spend)	↓	Increase student satisfaction with opportunities and support for developing graduate attributes and employability	R
Excellence in innovation	Knowledge exchange metrics: number of disclosures, patents, licenses and new company formations	↓	Increase average number of PhD students per member of academic staff to at least 2.5	R
			Increase score for the citations-based measure in the THE World University Rankings to at least 94/100	G
			Achieve at least 200 public policy impacts per annum	G
			Increase economic impact, measured by GVA, by at least 8%	G
Enablers	KPIs	Status	Targets	Red/amber/ green status
People	Proportion of staff who have had an annual review within the previous year	↔	Achieve the institutional Athena SWAN Silver award	G
Infrastructure	Total income per square metre of gross internal area	↑	Increase number of international applications for academic posts	A
Finance	Operating surplus as a % of turnover	↑	Increase average number of international applications for academic posts advertised	R
			Increase the proportion of our buildings at condition grades A and B on a year-on-year basis, aiming for at least 90% by 2020	R
			Increase student satisfaction with learning resources (library, IT resources, study space and equipment) to at least 85%	A
			Increase our total income per staff full-time equivalent (FTE) year-on-year, aiming for an increase of 10% in real terms	A
			Increase our Return on Capital Employed (ROCE)	G

Strategic themes	KPIs	Status	Targets	Red/amber/green status
Outstanding student experience	Proportion of graduates (undergraduate and postgraduate) in graduate-level employment or further study	↓ Undergraduate	Increase the level of overall satisfaction expressed in responses to the NSS, PTES and PRES student surveys to at least 88%	R
		↓ Postgraduate taught	Increase the number of our students who have achieved the Edinburgh Award to at least 500	G
		↓ Postgraduate research	Create at least 800 new opportunities for our students to gain an international experience as part of their Edinburgh degree	A
Global impact	Proportion of international students from beyond our five most well-represented countries	↑	Increase our headcount of non-EU international students by at least 2,000	G
			Increase our research grant income from EU and other overseas sources so that we enter the Russell Group upper quartile	G
			Increase our number of masters students on programmes established through our Global Academies by at least 500	A
Lifelong community	Physical and virtual footfall	↑ Physical footfall	Increase the number of active alumni engagements with the University via the Alumni Services website, social media and e-newsletters	G
		N/A Virtual footfall		
Social responsibility	Reduction in carbon emissions per £ million turnover	↑	Reduce absolute CO2 emissions by 29% by 2020, against a 2007 baseline (interim target of 20% savings by 2015)	R
Partnerships	Number of our research publications which are internationally co-authored	↑	Increase our number of PhD students on programmes jointly awarded with international partners by at least 50%	G
	Proportion of our research publications which are internationally co-authored	↑		
Equality and widening participation	Undergraduate entrants from under-represented groups	↑ Widening participation	Converge on our state schools and colleges participation benchmark	R
		↓ Low income households	Increase the proportion of female academic staff appointed and promoted to lecturer, senior lecturer, reader and professor levels	G
		↑ Ethnicity	Converge on our low social classes participation benchmark	R
		↑ Disability	Reduce the gender pay gap for University staff	A

Risk register

Set out on the following pages are the main risks and uncertainties that could adversely affect the University, impacting on our reputation, staff, students, estates, operations and/or finances. The list is not exhaustive, as there are many risk events that could trigger additional mitigating actions in an organisation as large and complex as ours. We have selected from our risk register those risks we consider to be our most important, but they are not presented in rank order.

The decision taken as a result of the referendum to leave the EU leads to risk across many areas of the University including uncertainty in research funding, student and staff recruitment and retention, investment, exchange rates and industry engagement. This is expected to remain as a risk for the foreseeable future with legislative changes and impact yet to be determined.

Key: ● Excellence in teaching ● Excellence in innovation ● Excellence in research

Strategy	Risk area	Risk description	Risk management
● ● ●	Student experience	Failure to maintain a high quality student experience could damage the University's reputation and impact student recruitment and retention.	<ul style="list-style-type: none"> The Learning and Teaching Policy Group provides a platform for University-wide leadership and coordination. There is regular consideration of learning and teaching issues at Academic Strategy Group, quality assurance visits to Schools, Communities of practice are developed in key areas to ensure priority issues are recognised and pursued at all levels of the University.
●	Research excellence	Failure to uphold our research standing could put the University's reputation at risk. Loss of research awards could mean loss of funding and lead to an inability to recruit and retain staff and students.	<ul style="list-style-type: none"> These risks are actively managed by the University's Research Policy Group, which promotes and engages with activities to embed and sustain research excellence.
● ● ●	Government policy and legislation	Changes in government policy in matters related directly or indirectly to higher education can impact the University's activities.	<ul style="list-style-type: none"> Constructive engagement directly and via Universities Scotland and Universities UK with Scottish and UK policy development processes. Provide responses to governmental consultations both directly and through Universities Scotland, Universities UK and the Russell Group. These consultations relate directly and indirectly to the higher education sector and our contribution ensures that implications for the University of potential regulatory changes are understood by policy makers.
● ● ●	Changes in UK relationship with the EU	Changes in the UK relationship with the EU could damage the University's opportunity for collaboration, impact partner, student & funder relationships and competitiveness relative to international peers.	<ul style="list-style-type: none"> Court EU Referendum Sub-Group established. University executive considering the uncertainties and assessing the impact of possible scenarios and potential mitigations.
● ● ●	Financial sustainability	Failure to maintain financial stability and sustainability (in particular solvency and liquidity) would undermine the delivery of our strategic ambitions.	<ul style="list-style-type: none"> Financial control is exercised by the University Court, acting through Policy & Resources Committee and the Central Management Group. These formal channels are augmented informally by meetings of the Principal's Strategy Group and the Strategic Finance Group. The Finance Strategy includes financial planning, budgetary processes and a ten-year forecast informed by an integrated financial model of the University. Key performance indicators have tolerance ranges that are monitored by the executive and governance groups.

Understanding our risks

(continued)

Key: ● Excellence in teaching ● Excellence in innovation ● Excellence in research

Strategy	Risk area	Risk description	Risk management
● ● ●	Technology and systems developments	Insufficient investment, constraints or weak coordination in IT and Library so that the critical services required by the University fail to be maintained and fail to scale with the University's key objectives.	<ul style="list-style-type: none"> The IT Infrastructure governance group has oversight of a rolling five-year roadmap to identify funding required to maintain core IT capability and to expand to meet growth and development. An Information Services change programme is focusing on the need to adapt the workforce and organisation through a Digital Transformation programme.
● ● ●	Strategic developments – change management and projects	Insufficient capability or capacity and inadequate management of work priorities leads to failure to implement strategic developments and projects to maintain competitive position.	<ul style="list-style-type: none"> Comprehensive forward-planning, and provision of human and financial resource, to enable projects. The Corporate Services Project Support Office assists in coordinating and leading appropriate projects and programmes. Programme management of larger groups of projects.
● ● ●	Maintenance, enhancement and investment in the estate	Rate of investment and enhancement of the estate is inadequate to meet the growth aspirations of the University.	<ul style="list-style-type: none"> A refreshed Estate Strategy and capital development and refurbishment programme has been agreed and Programme Boards established to coordinate campus wide strategy. A fully updated condition and compliance survey assists with determining the annual maintenance and compliance programme.
● ● ●	Retain or attract sufficient key staff	Inability to retain, attract, and develop key staff leads to lack of capability to support and grow the University.	<ul style="list-style-type: none"> Promote the University as a globally significant institution to attract key staff. Support new staff to enable them to become effective. Increase staff development activity. Development of services and facilities to make available loans for increased visa costs and immigration health surcharge. Evidence-based pay analysis, retention framework and contribution pay.
● ● ●	UK immigration policies and practice	Changes to UK immigration policies and practice and their inadequate implementation by the University risks financial and legal penalties, reputational damage, loss of international staff and students.	<ul style="list-style-type: none"> The University's Home Office Compliance Group regularly reviews policies and procedures connected with the University's licence and ensures compliance. Significant profile in Internal Audit rolling plans including surprise audits.
● ● ●	Loss of sensitive data	Compromise of University systems due to missing, ineffective or appropriate controls could result in severe reputational damage due to loss or exposure of sensitive data.	<ul style="list-style-type: none"> The newly created post of University Chief Information Security Officer leads the University's information security strategy with a core Information Security team. The Information Security Working Group has a three year work-plan comprising four themed strands: technical; user education; communications; policy and process.

Knowledge exchange

Anatomical Museum launches 3D app

A new interactive app has been launched so that people worldwide can tour the University of Edinburgh's Anatomical Museum. The free app opens up areas of the Museum and Old Medical School building that are not usually accessible to the public. These include a room containing more than 1500 skulls from around the world. Users can select individual objects to learn more about their history, including the skeleton of infamous serial killer William Burke, who was hanged and publicly dissected in 1829 for his part in the notorious West Port murders.

Other attractions include life and death masks of celebrated figures from history, including Oliver Cromwell, Sir Walter Scott and Napoleon Bonaparte. On view to the public for the first time are the University's archive collections, which hold preserved specimens of human body parts that have been used to teach anatomy to medical students for centuries.



Operational review

The University of Edinburgh's vision as a truly global university is to make a significant, sustainable and socially responsible contribution to the world. We discover, develop and share knowledge as a centre of academic excellence.

Excellence in education

We aim to provide the highest quality research-led learning and teaching and enhancing the student experience remained a priority for us over the past year.

Demand for admissions in 2016/17 remained buoyant and we continue to be a destination of choice for both undergraduate and postgraduate students. The University received over 59,000 applications for full time undergraduate study in the academic year 2015/16. We made offers to 38 per cent of applicants and enrolled 25 per cent of offers as new undergraduate students. We have an average of 10.5 applications per enrolment for undergraduate study, a trend that has remained strong for the last three years. Postgraduate taught demand for places is particularly strong with applications up 11 per cent on last year. This reflects growth across Scottish domiciled, Rest of UK and International applicants. We enrolled 5,729 postgraduate students, just under half of whom were from outside the EU. Postgraduate applications from outside the EU have increased by 13 per cent with 78 per cent of postgraduate applications from outside the EU. We have an average of 6.8 applications for every enrolment, a metric that has remained steady for the third year in a row.

In June 2012, the University signed up to its first Massive Open Online Course (MOOC) platform and delivered six courses that changed the way the sector perceives online learning – from small niche to massive opportunities and international reach. Four years on, we have delivered 35 courses, reached more than 2.5 million learners in all but eight countries in the world, and encouraged hundreds of academic staff to engage in online learning.

The Destination of Leavers from Higher Education survey results show that 93.4 per cent of our UK graduates leavers are in employment, or further study, six months after graduating with 90 per cent of those entering employment at graduate level.

Student demand profile

Entry to academic year	2015/16	2014/15	2013/14
Undergraduate enrolments:			
Total applications	59,583	57,383	53,065
Total offers	22,762	21,693	19,561
Total enrolments	5,655	5,457	5,332
Applicants-to-enrolments ratio	10.5	10.5	10.0
Matriculation rate (enrolments/offers)	24.8%	25.2%	27.3%
Postgraduate home and EU:			
Total applications	8,736	8,338	8,607
Total enrolments	2,967	2,907	3,014
Applicants-to-enrolments ratio	2.9	2.9	2.9
Postgraduate overseas:			
Total applications	30,235	26,776	26,298
Total enrolments	2,762	2,523	2,255
Applicants-to-enrolments ratio	10.9	10.6	11.7

The Edinburgh Teaching Award (EdTA), one of our initiatives aimed at improving the student experience, has been developed as a two-year recognised HE teaching qualification pilot, part of the University's Continuing Professional Development (CPD) Framework for Learning and Teaching. This Framework is designed to provide all staff involved in teaching and supporting learning with opportunities to reflect on and develop their practice throughout their careers. The Framework is accredited by the Higher Education Academy and it encompasses a range of credit-bearing courses and programmes as well as non-credit bearing CPD opportunities.

Teaching Matters is the University of Edinburgh's website for debate about learning and teaching, for sharing ideas and approaches to teaching, and for showcasing our successes, including academic colleagues who are leading the way in delivering great teaching. Outstanding teaching and student experience is recognised and rewarded, but also poor standards are held to account in appropriate ways.

The University is investing in the use of learning analytics for course design, attainment, and improving the student experience. The Learning Analytics initiative is a collaboration with University of Michigan, worldwide leaders in this field. Complementary to the work being done to develop learning analytics for direct, individual student support and better course design, the Student Data Dashboard project will move the dashboards from prototype to service for the 2016/17 academic year.

13%

Postgraduate applications from outside the EU increased 13 per cent in 2015/16.

Excellence in education

ECA scoops top fashion prizes

Edinburgh College of Art students are celebrating unprecedented success at the British Fashion Council's annual awards for graduates. Three Fashion students won the first, second and third prizes in the Burberry Fashion Design competition. One student was also awarded the Topman Graduate Talent Award.

The Fashion Awards – organised by the British Fashion Council (BFC) – aim to identify the top talent emerging from the UK's leading art colleges.

"I am extremely proud and delighted that our students have been recognised by such prestigious awards. This is a huge accolade and testament to the extremely high calibre of work they produce. The students' modern ideas, innovation and skilful craftsmanship have led to this unprecedented success."

Mal Burkinshaw
Fashion Programme Director, Edinburgh College of Art



Operational review

(continued)

Excellence in research

We aim to challenge the boundaries of knowledge, research and disciplines.

Among many highlights in the past year were Professor Dave Newby and his winning team who accepted the Queen's Anniversary Prize at a ceremony at Buckingham Palace in February. The award was presented to acknowledge the work into cardiovascular disease led by Professor Newby, and is our second consecutive win following our award for our distance learning course for surgical trainees.

5%

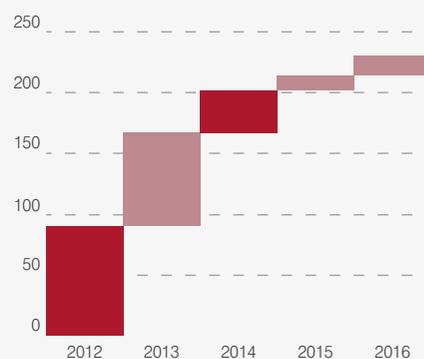
Research applications increased by five per cent in 2015/16.

During 2016 Edinburgh has been at the forefront of using 'Big Data' as part of a £20 million project aiming to harness the power of healthcare and government data to improve the lives of patients and the wider population. Two major research institutes, involving universities and the NHS, are using healthcare and public authority records to develop health treatments and improve public policy. The Farr Institute Scotland and the Administrative Data Research Centre Scotland (ADRC-S) are based at Edinburgh BioQuarter, a partnership between the University of Edinburgh, Scottish Enterprise and NHS Lothian. Working shoulder-to-shoulder, they are at the forefront of big data - analysing extremely large and complex sets of data to reveal patterns and trends that can provide meaningful information to inform research and decision making.

The Farr Institute Scotland - a collaboration between six Scottish universities and NHS National Services Scotland - is developing procedures to curate secure electronic health records. These are designed to protect patient confidentiality while providing researchers with datasets to enable new medical discoveries, validation of treatments, and improved NHS healthcare delivery. Researchers will work with the information to develop commercial drugs, diagnostic tests and life-saving medical technology, at a speed and scale not previously possible.

We are particularly proud of the University's prestigious Chancellor's Fellows Scheme which is aimed at early career academics who have already begun to establish a reputation for top-quality research. The Fellowships help these individuals develop their research to the highest international standards while progressively training them in teaching and student development skills. Fellowships are for five years and subject to a successful end of year three review. We expect that the majority of Chancellor's Fellows will transition to an open-ended lectureship.

Chancellor's Fellows - appointments



Since the scheme began, Chancellor's Fellows have applied for more than 450 grants as Principal Investigator (PI), and more than three times this total as Co-Investigator (Co-I). Between them, they have gained total grants of £31 million as PI and £47 million as Co-I. They have also secured £29 million in fellowships. Some 68 per cent of Chancellor's Fellows supervise postgraduate students and, at undergraduate level, 44 per cent act as course organisers and 30 per cent are personal tutors.

The ADRC-S works with government records, helping researchers to use anonymised data - such as on road accidents or benefit payments - to create a broad picture of society. This helps to track changes in people's behaviour, such as in response to new policies. Researchers will be able to combine ADRC data with the Farr Institute's medical datasets to discover new ways to help individuals, populations and policymakers.

Researchers led by the University of Edinburgh scanned the brains of people that have a specific genetic mutation that causes part of one chromosome to swap places with another. The mutation results in disruption of a gene called DISC1, which is associated with schizophrenia, bipolar disorder and recurrent major depression. The DISC1 mutation was first identified in a Scottish family that showed unusually high rates of major psychiatric disorders. Scientists have been studying generations of the family for 40 years but this is the first time they have scanned their brains and the findings could help in the quest for new treatments.

Finally, a new online course created by the Universities of Edinburgh and North Carolina is equipping researchers with the skills they need to manage ever-increasing amounts of data. The free five-week course is designed to reach learners across disciplines and continents. This is particularly important as research becomes increasingly digital and data-driven. Moreover, skills in research data management are essential and sharing, documenting and preserving data online has become expected of research funders in recent years.

Excellence in innovation

Innovation is one of the four central pillars of Scotland's Economic Strategy alongside investment, inclusive growth and internationalisation. The University of Edinburgh makes a significant contribution to job creation, growth and innovation, the critical factors that ensure long-term competitiveness and sustainable economic growth. We continue to make a strong intellectual and economic contribution to Scotland – and indeed the UK.

In the past five years, Edinburgh Research and Innovation (ERI) has helped staff and students set up 162 new spin-out/start-up businesses, many award-winning, thereby strengthening the University's position as one of the top-performing enterprise universities in the UK. Of the new companies created since the late 1960s 81 per cent are still trading and 89 per cent of these have retained their operations in Scotland. Three start-up companies, each founded by University of Edinburgh Informatics graduates, were selected for the global finals of the UBS Future of Finance Challenge. Aesthetic Integration, AimBrain and Cryptosense beat 12 other regional finalists, out of 160 entries from across northern Europe. At the Global Final in Zurich in December 2015, the judges chose Aesthetic Integration as the winner. Their solution automatically analyses financial algorithms for glitches.

162

Edinburgh Research and Innovation has helped set up 162 new spin-out/start-up businesses in the last five years.

“The construction of the Higgs Centre for Innovation is an exciting new development in the long-established collaboration between STFC and the University of Edinburgh at the Royal Observatory, Edinburgh. The new centre will cement Edinburgh's reputation as a world leader in the fields of astrophysics and big data, and provide new opportunities for knowledge exchange between astronomers, particle physicists, engineers and industry.

Professor James Dunlop
Head of the Institute for Astronomy, University of Edinburgh

Scottish EDGE is a funding competition aimed at identifying Scotland's top young, early stage and high growth potential entrepreneurs with a fund endowed by entrepreneur Sir Tom Hunter. Of 239 applications, five University of Edinburgh spin-out and start-up companies secured grants and loans totalling £250,000 at the 2015 Awards to grow these University supported enterprises. eoSurgical created simulators to train surgeons to help make surgical procedures safer, Robotical created 'Marty', a robot to inspire the next generation of engineers and scientists and EuroBiotix CIC, a community interest company, aims to expand access to Faecal Microbiota Transplantation (FMT). Particle Analytics develops solutions for analysis of numerical simulations of particles and bulk solids and Tipple Box produces cocktail-making kits.

During 2016 work began on constructing the Higgs Centre for Innovation at the Royal Observatory in Edinburgh. The Centre will support start-up businesses with the aim of creating new market opportunities, especially in big data and space technologies. It will provide new opportunities for knowledge exchange between astronomers, particle physicists, engineers and industry. The Centre is funded through a £10.7 million investment from the UK Government. The Science and Technology Facilities Council (STFC) will also invest £2 million over five years to operate the centre.

The cross-university Edinburgh CityScope project is looking at ways to aggregate geolocational open data about Edinburgh, and at making it available to both experienced and novice developers. The intention is to create a hub for the mountain of open research data owned by the University and a central point for app developers to access and create apps, which will visualise the raw data and open up the city to us in new ways that are not even envisaged at the moment. One use of the application is the Curious Edinburgh project, an app developed by EdINA, which provides a geolocational tour of Edinburgh connected to the history of science, technology and medicine.



Higgs Centre for Innovation

During 2016 work began on constructing the Higgs Centre for Innovation at the Royal Observatory in Edinburgh.

Operational review

(continued)

Social responsibility and sustainability

The Edinburgh Centre for Carbon Innovation (ECCI) was the 2016 winner in the collaboration category of the Guardian Sustainable Business Awards. The collaboration award is given to projects that break down traditional barriers and involve several partners working together in non-traditional ways towards a goal that delivers truly sustainable outcomes. The Centre won the collaboration category for its Low Carbon Innovation (LCI) project which successfully supported the development of innovative low carbon products and services. Since 2011, it has engaged 1,400 small and medium sized enterprises (SMEs), creating about 200 new cleantech products and services so far. A recent independent study put the project's contribution to the Scottish economy at £20 million. The participating enterprises are helping to save the equivalent of around 41,000 tonnes of carbon dioxide emissions every year. The LCI project involved three Edinburgh universities (Edinburgh, Heriot-Watt and Napier) working in partnership with SMEs, business, government and civic society to develop responsive solutions based on excellent research and learning. Housed in the award-winning, sustainably refurbished High School Yards, ECCI continues its collaborative work and is the UK's leading low carbon hub.

Working with entrepreneurs through the Low Carbon Ideas Lab, ECCI is developing ways for Scottish SMEs with low carbon products or services to reach international markets. It aims to play a key role in facilitating the transition to a low carbon economy by encouraging a concerted, integrated effort spanning civic society, business, government and academia.



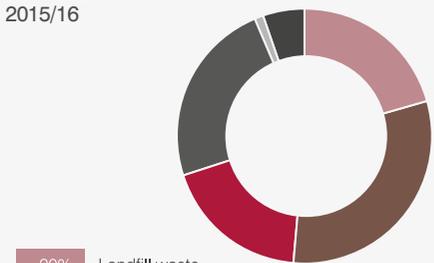
Edinburgh Centre for Carbon Innovation
Winner in the 2016 collaboration category of the Guardian Sustainable Business Awards.

“We are hugely proud to receive our winner’s award. It is a testament to the talent and efforts of the whole ECCI team over a number of years. We will continue to bring together people from enterprise, government, civic society and universities to try and solve challenging problems and make a positive difference to the world.

Andy Kerr
ECCI Executive Director

Increasing volumes of waste are being reused through a variety of activities, student-led initiatives and external partnerships. Warp-it, the online re-use platform, used to distribute unwanted items to staff has achieved financial savings of more than £100,000 and diverted over 13 tonnes of waste from landfill in under three years of use. The student-led Swap and Reuse Hub Cooperative was awarded funding of £89,858 from the Scottish Government's Climate Challenge Fund to continue its efforts to promote reuse in the student community.

University waste breakdown 2015/16



- 20% Landfill waste
- 33% Recycled waste
- 18% Composted waste
- 23% Incinerated waste
- 1% Residential waste mass anaerobic digestion (ERWMADI)
- 5% Residential waste mass used to create energy (ERWMENE)

Waste arising: 5,019 tonnes

Key performance indicators

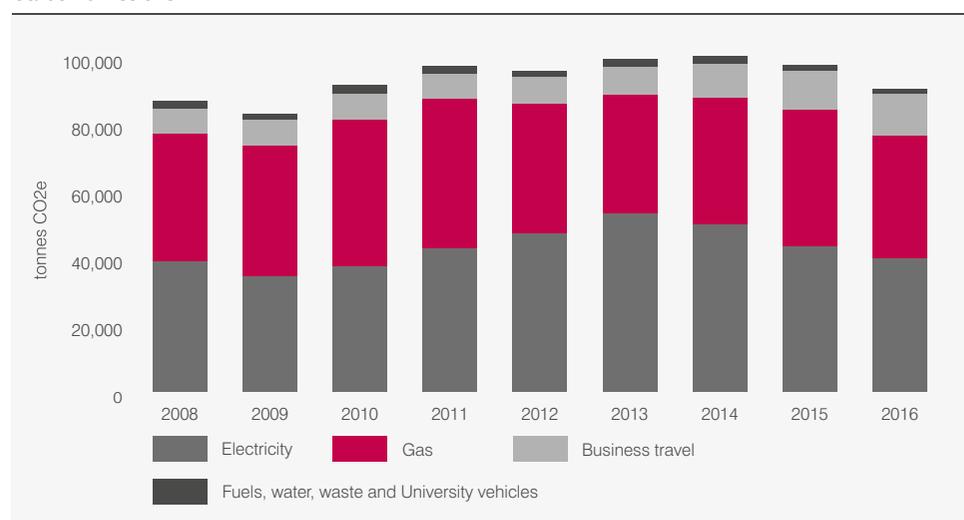
	2008	2009	2010	2011	2012	2013	2014	2015	2016
Gross internal area (tonnes CO ₂ e / 1000m ²)	118	113	125	124	125	123	122	118	107
Turnover (tonnes CO ₂ e / £m)	156	140	145	150	137	135	128	116	100
Staff (tonnes CO ₂ e / staff FTE)	11.0	10.4	11.6	12.4	11.9	12.1	11.5	10.6	9.7
Students (tonnes CO ₂ e / student headcount)	3.4	3.1	3.2	3.4	3.1	3.0	3.3	2.8	2.4

Academic researchers and practitioners at the University have worked in partnership with Zero Waste Scotland to identify how principles of the Circular Economy can be embedded in research, learning and teaching, and operations at the University. Circular Economy thinking is taking place, and some practical initiatives exist which could be developed and promoted further – including current practices and policies within the University, initiatives such as the WARP-it re-use portal for staff, the student led re-use cooperative SHRUB (Swap and Reuse Hub), and activities of the UK Biochar Research Centre, which uses waste to enhance soils. Courses looking at the Circular Economy are on offer in Moray House School of Education and Edinburgh College of Art and through Executive Education at the Business School, and a number of courses where the themes can be further embedded have been identified at the School of Geosciences and School of Chemistry. Higher education institutions such as the University of Edinburgh can play a pivotal role in a transformation to a circular economy.

Edinburgh's expertise in climate change and its effects are world-leading. Researchers have secured more than £50 million over the past seven years to fund work on climate science, emissions mitigation and sustainable solutions. The University seeks to harness the expertise of the many academics currently conducting ground-breaking research into areas such as carbon capture and storage and renewable energy.

The University's aim is to become a hub within the wider city for the exchange of ideas and opinions about how best to tackle one of the world's great global challenges. Academic staff, students and alumni attended and contributed to the 21st session of the Conference of the Parties (COP21).

Carbon emissions



A review of the University's *Climate Action Plan 2010-20* has also been undertaken to develop a 'whole institution' Climate Strategy which will be published in 2016. The strategy will set new targets and develop an integrated approach across the whole institution recognising the need to take action across our operations, teaching, research and investments. To accelerate efforts to improve its own carbon footprint, the University established a new Sustainable Campus Fund in 2016. Staff and students are able to apply to the £2.75 million fund over the next three years to gain support for energy efficiency, renewable energy, and other sustainability projects that generate environmental benefits and reduce operating costs.

A further £11 million has been committed to develop a new combined heat and power energy centre and network at the University's Easter Bush campus. The scheme will provide low carbon electricity and heat, and will reduce annual carbon emission by over 2,000 tonnes when it opens in 2017. This commitment builds on the £20 million already invested in low carbon energy on campus since 2002. Further energy efficiency projects are being reviewed with a heavy emphasis on demand-based equipment, such as heating pumps and ventilation fans, as well as prioritising efficiency opportunities through the University's sustainable laboratories programme.

Operational review

(continued)

The student experience

The student experience encompasses many aspects – the experience of learning and teaching; academic and intellectual development; employability skills; support services; and extra-curricular pursuits. We aim to ensure that all of our students have an exceptional and distinctive experience while at the University. We strive to take a cohesive, inclusive and personalised approach to enhancing the student experience – one that encompasses all subjects, modes of learning, student services, across the whole of our estate. We believe that the experience of being a student at the University of Edinburgh, from applicant to graduate, should prepare students for life beyond their studies and be the start of a lifelong relationship with us.

We were therefore disappointed with the results of the 2016 National Student Survey (NSS) which records final year undergraduate student feedback on their experience at UK higher education institutions. The University's results for overall satisfaction showed a drop from 84 per cent to 80 per cent reversing the upward trend from the previous year.

The student experience is a core strategic priority for the University, and we have put strong foundations in place to address the challenges that the NSS identifies. Over the last year we have established a new Learning and Teaching Policy Group, to enable coordinated actions across the University and we are working closely with Heads of College and School to identify and share good practice in education and effective student engagement. We have built communities of practice to exchange experience and raise the profile of teaching across the University. We have also reviewed and adapted core staffing processes to express the due priority we should be giving to teaching: in annual review; recognition and reward; workload allocation; and academic staff recruitment processes. Our Edinburgh Teaching Award provides a route to professional accreditation and national recognition of our staff's commitment to professionalism in teaching and learning in higher education.



“Edinburgh’s success in the latest ELIR is a demonstration of the University’s commitment to providing a world-class learning and teaching experience for all our students. Our innovation in this area has been recognised by QAA Scotland and that recognition is a tribute to all members of the University community who have been involved.

Professor Tina Harrison
Assistant Principal, Academic Standards and Quality Assurance

The NSS is not the only lens through which we can view our teaching and student experience. Over the past year we were pleased to have the quality of the student experience at Edinburgh recognised by the body which monitors the quality of Higher Education in Scotland. Every four years the Quality Assurance Agency Scotland (QAAS) conducts the “Enhancement-Led Institutional Review (ELIR)” which looks at the work being done by universities to improve the student learning experience. Edinburgh achieved the highest possible judgement of “effectiveness” for its work in this field and also for its work in securing academic standards. The review team visited the University on two occasions in October and November 2015, scrutinising documentation and meeting with a range of staff and students.

The draft Outcome report (a summary report of the main findings) identified many areas of ‘positive practice’ where the University is doing particularly well. One area highlighted was The Edinburgh Award – an employability and personal development scheme established by the University’s Careers Service in collaboration with the Edinburgh University Students’ Association (EUSA). The award recognises extra-curricular activities such as volunteering as well as involvement in initiatives such as the Peer Assisted Learning Scheme (PALS) in which students “buddy”, or mentor, other students. A smaller number of areas for further development were identified, and these are now being taken forward, for example in the provision of enhanced support for our doctoral students.

In addition, the annual International Student Barometer survey rated Edinburgh first in Scotland and fourth in the UK for its campus, student safety and location. The survey questioned 143,000 students across 172 universities and 18 countries. Nearly 5,000 international students at Edinburgh completed the review. Some 95 per cent of surveyed students stated that Edinburgh was a 'good place to be'. The quality of Edinburgh's lecturers is shown to be a highlight of the student experience, and the University's overall living experience is ranked as second in the world and first in Scotland and the UK. The survey also found that students at Edinburgh are highly likely to recommend their university to other international students.

Overseas students at Edinburgh make up 43 per cent of the University's student body. Some 137 nationalities chose to study at Edinburgh in 2015/16 – representing two-thirds of the world's countries.

We are also investing heavily in our student experience. In the face of continued and rapid increases in the number of students needing support, demand for the Counselling Service has grown quickly, and as a result since 2010 we have more than doubled funding for student counselling services and agreed further support in the next two years. We are now procuring a new lecture recording system which will ensure that students can access and review lecture material helping them to pick up missed points, view material flexibly, reinforce learning, refresh knowledge and expand on their lecture notes.

“The International Student Barometer results demonstrate that Edinburgh continues to be one of the most appealing universities worldwide for international students. Our ranking of second in the world for students' overall living experience is testament to the unique learning and cultural experience the University of Edinburgh provides.

Edinburgh is a truly global university and we will continue to improve the student experience to ensure that all students from the UK and around the world have the best environment to make the most of their studies and achieve great innovation and international impact from research.

Professor Charlie Jeffery
Senior Vice Principal

A multi-million pound investment in buildings and facilities across the University is also underway and, over the next few years, a series of projects will transform existing spaces, provide new ones and offer staff and students a greatly enhanced environment in which to work and study. The addition of 400 study spaces will significantly increase student study space capacity in the Main Library and a new Law Library will offer more than 250 new study spaces and enhanced computer facilities within Old College.

Operational review

(continued)

Global impact

As a centre of academic excellence we aim to promote good health, economic growth, cultural understanding and social wellbeing. Our global community of staff, students, alumni and supporters are key to our success.

The University Principal is now the Honorary President of the Coimbra Group (2017/18). The Coimbra Group is an association of long-established, multidisciplinary research universities committed to creating special academic and cultural ties and influencing European education and research policy and to develop best practice through the mutual exchange of experience. Edinburgh will be hosting its annual conference in June 2017.

51%

In 2015/16 51.5 per cent of our research publications were internationally co-authored.

A Memorandum of Understanding was agreed with the Chinese Academy of Governance during their visit to the University in May 2016. Also, the School of Geosciences has been successful in securing funding for a UK-China initiative to develop expertise in managing natural disasters. The project is in partnership with University College London and the University of Science and Technology in Beijing.



Global agriculture and the future of the world's food supplies are to be the focus of a new research and teaching initiative. The University of Edinburgh's new Global Academy of Agriculture and Food Security will provide 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.

“Formation of this Global Academy represents a major investment by the University and is pivotal to the strategic direction of the campus. We are delighted that Professor Simm has agreed to lead this important initiative.

Professor David Argyle
Dean of the Royal (Dick)
School of Veterinary Studies

Edinburgh Global Pop Up Campus events took place in India in February and in the USA in March 2016. Both events aimed to develop research and teaching partnerships with leading universities; build partnership with industry around innovation and entrepreneurship; develop relationships with public sector bodies; provide opportunities for Edinburgh students to engage with peers; strengthen our engagement with alumni; and engage with potential students.

The Global Academies are working with the Research Support Office to prepare for opportunities around the UK Government's Global Challenges Research Fund (GCRF), a £1.5 billion fund to support cutting-edge research that addresses the challenges faced by developing countries.

In 2015, we implemented "the Prevent duty" for higher education (under the Counter-Terrorism and Security Act 2015) in line with guidance from the Home Office & Scottish Government. The guidance does not seek to restrict research into any area, and has due regard for academic freedom, but helps staff and student researchers understand the risks involved in dealing with material that may be regarded as promoting or endorsing terrorist acts.



Enabled by exceptional people

The Big Leap

Throughout 2016, staff, students, alumni and friends have taken on a variety of fundraising challenges as part of the Big Leap campaign, using the extra time in the calendar to support good causes both within and beyond the University.

Efforts have included a campus-wide attempt on Leap Day itself to break the world record for cakes sold in eight hours for charity, multiple team entries in the Edinburgh Marathon Festival relay, firewalking, zorbing down the Pentland Hills and an unprecedented abseil from the top of David Hume Tower.

Thanks to these fundraising activities, a diverse range of causes will benefit from vital support. These include the student-led Free Legal Advice Centre, the Anne Rowling Regenerative Neurology Clinic, which leads patient-centred, cutting-edge research into neurodegenerative diseases, and the Royal (Dick) School of Veterinary Studies.



Operational review

(continued)

Lifelong community

Consultation is taking place on the options for the development of a Fundraising Preference Service with Universities UK, the Russell Group and the Council for Advancement and Support of Education (CASE). The University has fed into the responses and has worked with the University of Glasgow on the Scottish Council for Voluntary Organisations consultation which will be key to determining the future model of fundraising regulation in Scotland.

In September 2015, the University of Edinburgh London Alumni Network hosted a discussion on business ethics and sustainability. At an open evening in November 2015, alumni met staff and researchers from the Euan MacDonald Centre for Motor Neurone Disease Research and the Anne Rowling Regenerative Neurology Clinic.

150 years

The University of Edinburgh Sports Union celebrated its 150 year anniversary in March 2016.

In March 2016, the Sports Union celebrated its 150 year anniversary as a collaborated Sports Union. Sport is now at the heart of university life and it's wonderful to reflect on all that has been achieved over the past 150 years. From the modest beginnings of our first Sport Champion, C.R Bauchope, in the mid-1860s to Olympic and Commonwealth Games successes over recent years, we can all take real pride in how the University's sporting offer has grown into one of the most envied and revered in the UK. We boast the finest Clubs, best facilities and most innovative programmes which give superb sporting opportunities to countless students of all levels of ability and interest. Our Sports Hall of Fame now commands 27 graduates across 15 different sports, including Olympic greats such as Sir Chris Hoy, Katherine Grainger and Eric Liddell, amongst other world-class sport stars. We have come a long way and it is particularly appropriate that we celebrate this 150th anniversary in an Olympic year - reminding everyone of the unique power of sport and allowing us to envision what amazing sporting feats the University might achieve over the next 150 years.

Volunteering and charitable efforts were supported through the University's Big Leap initiative in 2016, which encourages staff, students and Edinburgh friends and businesses to use the extra leap day to participate in a variety of activities to raise money for a range of research centres, counselling services and community-facing projects such as the free legal advice centre.



Partnership

Our commitment to the life and wellbeing of the city of Edinburgh is evident in much that we do. Efforts have continued to build and strengthen the University's relationships between the city and local communities through the endorsement of a new Community Engagement Strategy. A recent survey showed that 90 per cent of local citizens believe the University is an asset to Edinburgh and 77 per cent believe the University serves the city as a whole, not only staff and students. However, 66 per cent do not understand what the University does, and 65 per cent have never used the University's services or facilities. It is clear that there is a significant opportunity to enhance our outreach and engagement with citizens and communities. The new strategy will explore opportunities through the academic curriculum, schools outreach, social enterprises and volunteering.

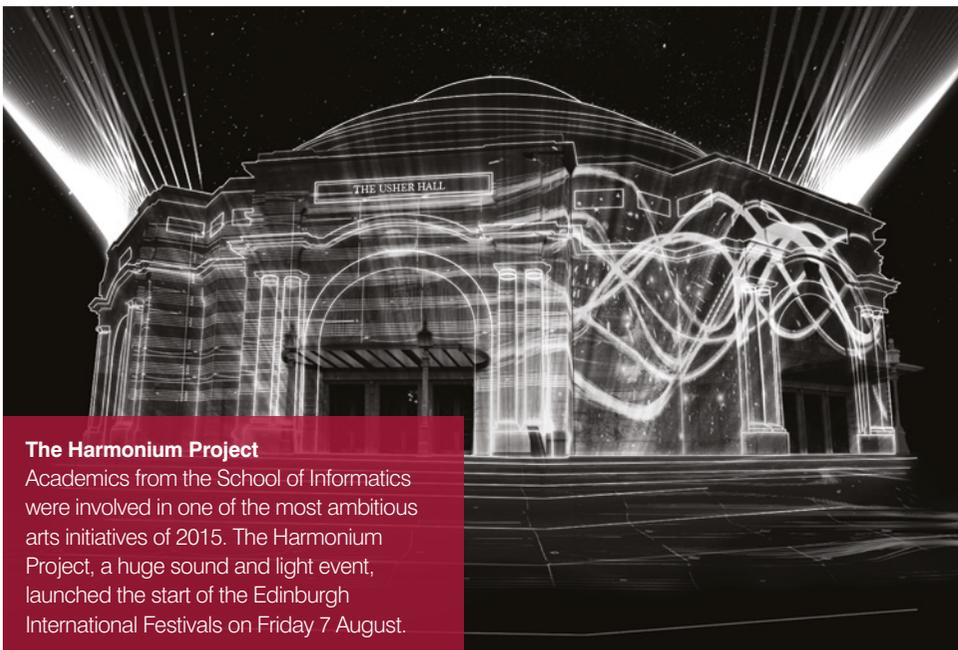
The UK Chancellor made his Budget Statement on 16 March 2016 referencing the Edinburgh City Deal and announcing Edinburgh as one of the areas for a Science and Innovation Audit. The Audit, one of five in different areas of the UK identified opportunities for research, will help drive benefits across a range of sectors from health to tourism. We have been a crucial player in working with partners across the city region to put together a City Deal bid. An Edinburgh and South-East Scotland City Region (ESESOCR) deal will be negotiated with the Scottish and UK Governments as well as six local authorities. The University can make a significant contribution to the City Deal linked to Innovation Hubs such as the Quartermile development, Data Technology Institute, Easter Bush campus and the successful model of four-way partnership involved in the

BioQuarter site. The University of Edinburgh's economic significance and impact and the scale of its estates vision over the next decade has marked it out as a potentially pivotal contributor to the case for a City-region deal.

Strong industry and commercial links provide funding that complements public sector and third sector support. This delivers increased productivity and sustained economic impact. Benefits of partnerships to staff and students also accrue in terms of international experiences, learning from a wider pool of expert academics, developing subject-level partnerships operating alongside strategic partnerships at institutional level as well as wider opportunities for research. The integration of research, teaching and patient care with NHS Lothian benefits both partners and patients.

The University's involvement in Edinburgh's festivals throughout the year is a reflection of our commitment to expanding and communicating knowledge. In August 2015, the University partnered with the Edinburgh International Festival to open the August festivals in spectacular style through the Harmonium Project, a major sound and light event, which showcased exciting aspects of the University's work in design informatics. Staff, students and graduates of Edinburgh College of Art contributed to Edinburgh Art Festival in a variety of ways, as well as some of the other festivals that bring the city to life as a centre for cultural events.

The University also supported the opening of the Edinburgh Remakery in 2016, a unique re-use and repair store. As a project partner, the University donates computers to the social enterprise which are sold to the community at a low cost, making them highly affordable.



The Harmonium Project

Academics from the School of Informatics were involved in one of the most ambitious arts initiatives of 2015. The Harmonium Project, a huge sound and light event, launched the start of the Edinburgh International Festivals on Friday 7 August.

Operational review

(continued)

Equality and widening participation

A commitment to equality and diversity has been demonstrated through the University's efforts to work towards the Race Equality Charter Mark. We ran a campaign in 2015 to celebrate the diversity of the staff and student community, and promote the University's efforts on equality and diversity issues. The Dignity and Respect Policy reviewed and approved in February 2016 strengthens the University's commitment to creating and fostering a culture of equality and diversity, dignity and respect and collegiality. It emphasises the responsibilities of individuals and managers and makes clear the seriousness with which the University will treat any complaint of bullying, harassment and/or discrimination.

1st

The University of Edinburgh is the first institution in Scotland, and one of only seven in the UK, to be awarded an Athena SWAN Institutional Silver Award.

The University attained a prestigious Silver Institution award from the Athena SWAN initiative in 2015. Athena SWAN is a national scheme that recognises a commitment to supporting women's careers in science, technology, engineering, maths and medicine in higher education. Edinburgh is one of only seven institutions in the UK, and the first in Scotland, to hold this higher level of award. The School of Physics and Astronomy was awarded the prestigious Juno Champion status, recognising its commitment to gender equality. The School becomes Scotland's second Juno Champion and one of just nine UK university physics departments to be recognised in this way.

The University's commitment to increase diversity and equal opportunities for students from a range of backgrounds was reflected in the record number of bursaries being awarded to undergraduate students from low income households in the 2015/16 academic year. More than £8.8 million was provided through the bursaries, the highest total to date. The provision of bursaries has increased recruitment of students from low income households and socio-economically disadvantaged areas.

The Commission on Widening Access (CoWA) reported to the Scottish Government in March. Two evidence papers were also submitted by staff from Moray House School of Education to CoWA. Most of the key recommendations of the report, *A Blueprint for Fairness*, focus on the point of admission to University. A number of recommendations, for example on articulation and Scottish Index of Multiple Deprivation (SIMD 20) entry, will be challenging for the University to implement but we remain committed to improving access.

Edinburgh's efforts to support care leavers was recognised through the award of the Frank Buttle Trust Quality Mark, which acknowledges support provided for care leavers entering higher education. Court members discussed initial research presented by Edinburgh University Students' Association (EUSA) that shows proportionally fewer widening participation students holding committee positions in student societies. University initiatives promote gender equality, including support for pregnant women and their families, unconscious bias training, and tackling the gender pay gap. The Scottish Funding Council (SFC) gender action plan aims to address gender imbalances in course uptake in further & higher education. The proportion of female entrants for first degree, postgraduate taught and postgraduate research are all above the Russell Group average.

The proportion of female senior staff (grade 10) has increased to 28.3 per cent at 31 July 2016 (from 26.1 per cent at 31 July 2015). The proportion of female academics increased to 41.9 per cent from 41.7 per cent over the same period.

The University of Edinburgh is committed to gender equality for students and staff, particularly the career progression of female academic and professional services staff.

Reducing the gender pay gap is a key target for the University. A short-term task group was formed by the Vice-Principal People and Culture in November 2014 to investigate the gender pay gap for senior staff (grade 10), to identify the major contributing factors to the overall pay gap, to understand in detail the reasons for it, and to inform actions to decrease the pay gap. A number of recommendations were made by the task group and subsequently approved for implementation by the Court Remuneration Committee. At this stage it is not possible to make an assessment of the full impact of the changes in practice and policy adopted over the last 6-12 months but early indications are that the overall professorial and grade 10 gender pay gap is reducing. We recognise that there is still significant work to be done but actions to address the gender pay gap at grade 10 have been implemented and are starting to have a positive impact.

As at 31 July 2016, 3.1 per cent (2.7 per cent) of our staff have declared that they have a disability. The University of Edinburgh is committed to a policy of equal opportunities for disabled staff and students and aims to create an environment enabling staff to participate fully in University life. In 2015, the University enhanced its shared parental leave policy for staff, providing prospective and current parents with more choice and flexibility regarding the care of their child during the first year of his or her birth or adoption.

Finance director's foreword



The University of Edinburgh continues to meet the challenges of an uncertain and rapidly changing environment and this year has been another great example of where we have achieved our financial objectives by delivering our ambitious plans through financially sustainable execution allowing us to excel as a truly global university.

£135m

Capital investment in the University's estate and equipment was £135 million in 2015/16.

During the past year we have continued to operate in an increasingly difficult financial climate, which is tightening due to cuts in public spending, political uncertainty, increased legislation and higher education funding pressures. The result of June's referendum on the UK's EU membership has introduced further uncertainty into research funding (presently 12 per cent of our research funding is from EU sources) as well as raising questions around continuing access to collaboration and freedom of movement for staff and students. Against this backdrop we remain extremely confident that Edinburgh can not only meet these challenges head-on, but that we will continue to seek out new and exciting opportunities to further our strategic goals of delivering world-class teaching and research.

In the past year we have increased student numbers, invested in improving the student experience, increased the volume and quality of academic staff and sustained high quality research activities. The 2015/16 results, covered in detail on pages 31-32 of the following Financial Review section, show another strong financial performance as we conclude the final year of our *Strategic Plan 2012-16*. In the face of significant external volatility, we remain committed to maintaining our high level of financial performance and sustainability and are confident that the University is again well placed financially to deal with its short and longer term commitments.

New financial reporting standard in the UK

The financial year 2015/16 was the first year of reporting under the new Financial Reporting Standard 102 (FRS 102) which came in to effect for the University on 1 August 2015. This single reporting standard replaces the previous UK Generally Accepted Accounting Practice (UK GAAP) and intends to make reporting simpler and more proportionate to the size of the entity. As well as the most obvious changes to the presentation of the primary statements, the new standard also affects certain disclosures, measurement and recognition of certain assets and liabilities, all of which are covered in more detail on pages 54-55.

As this is the most significant change to financial reporting in the UK and Ireland for many years there are differences between the annual performance and in particular, Key Performance Indicators (KPIs), reported under the old and new regimes. To account for this, we have restated all prior year figures, and where appropriate KPIs, to the new standard to allow an appropriate comparison between financial years 2015/16 and 2014/15. We have also highlighted significant points of interest throughout the commentary in the Financial Review section as well as in the primary statements themselves.

Integrated accounting

Another important development across the UK higher education sector in 2015/16 has been the movement, championed by the British Universities Finance Directors Group (BUFDG), to encourage Universities to align their annual report and accounts to the International Integrated Reporting Framework. By embracing this framework and the virtuous cycle of integrated thinking and reporting we are confident that a more efficient and productive allocation of resources can be achieved creating value over the short, medium and long term.

Finance director's foreword

(continued)

During the year we were pleased to collaborate with BUFDG and six other leading UK universities in their Integrated Reporting review and, as a result, the structure of this 2015/16 report more fully reflects the integrated relationships and thinking that is driving the University forward and that will act as a force for both academic and financial stability and sustainability.

Delivering on our ambitions

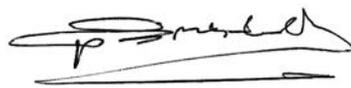
Our ambitious plans to transform Edinburgh's physical estate were enhanced this year by a £200 million loan from the European Investment Bank. The loan, together with a £100 million private placement from two US investment funds also agreed during the year, has provided £300 million of new investment capacity to support a range of building and refurbishment projects over the next ten years and strengthen Edinburgh's reputation as a global leader in education, research and knowledge exchange. Both deals have seen the University secure funding for up to 30 years at historically low levels, with a flexible repayment schedule and an average cost of borrowing of less than three per cent. The remaining £1.2 billion of the funding for the programme will be raised through capital grants, historic and new fundraising, existing liquid resources, and annual surpluses for investment generated by the University.

Projects in the ten-year Estates Capital Plan include a new home for the School of Biological Sciences, the creation of a Data Technology Institute — part of the Alan Turing Institute — and a refurbishment of the historic School of Law at Old College. The plan also includes a redevelopment of the landmark McEwan Hall, transforming the iconic home of University graduation ceremonies into a combined ceremonial and conferencing facility that will ensure that this impressive asset works hard for the University.

The future

The University has ambitious growth plans and, with the launch of our new *Strategic Plan 2016*, it is vital that we have flexible and efficient professional services that can respond effectively to changing priorities and expectations. To address this need we have committed to a comprehensive review of key functions to ensure that we get the best from the sum of our efforts by building effective and efficient professional services. The initiative, which is known as the Service Excellence Programme, is being run by colleagues in Colleges, Schools and the Support Groups in a joint approach that will enable us to deliver improved services for students, staff and academics. Digital transformation will be a key enabler within the programme and the work streams for Student Administration & Support and Human Resources began earlier in the year. With the Recruitment & Admissions and Finance work streams coming online from September 2016 we are confident that the programme will create greater efficiency and effectiveness in our services.

Economic conditions are more uncertain now than we have seen in many years, and the University is managing the enhanced volatility associated with the EU referendum leave decision. We will deploy our strong brand reputation and international network of collaborators, including leading EU universities, to influence and help establish the new operating model for the UK higher education sector that will need to emerge from negotiations for a post-Brexit future.



Mr Phil McNaull
Director of Finance

“The European Investment Bank recognises the ambitious development plans that will strengthen world class research, teaching facilities and student life at the University of Edinburgh over the next decade. This new £200 million 30-year loan to the University of Edinburgh represents one of the largest ever loans to a European University, and reflects both the quality of the campus development plan, and the European Investment Bank's clear commitment to support long-term investment in Scotland.

Jonathan Taylor
Vice-President, European Investment Bank

Financial review

Annual accounts

The Annual Accounts comprise the financial results of the University, consolidated with the results of its subsidiaries. The subsidiaries' operations include letting accommodation for conference facilities and the Edinburgh Festival, publishing, provision of utilities services to the University, high-performance computing services, and a national facility for testing marine energy. For commercial reasons these activities are channelled through limited companies. The subsidiaries transfer their profits to the University each year by Gift Aid.

	2015/16			2014/15		
	Ex.RDEC £m	RDEC* £m	Total £m	Ex.RDEC £m	RDEC* £m	Total £m
Income	889	19	908	825	22	847
Expenditure	844	-	844	831	-	831
Operating surplus/(deficit)	45	19	64	(6)	22	16
Gain on disposal of assets	1	-	1	-	-	-
Gain on investments	29	-	29	16	-	16
Tax	-	(4)	(4)	-	(5)	(5)
Surplus for the year	75	15	90	10	17	27
Revaluations surplus	7	-	7	29	-	29
Actuarial loss	(41)	-	(41)	(3)	-	(3)
Total comprehensive income	41	15	56	36	17	53
Represented by:						
Unrestricted comprehensive income	-	15	15	(16)	17	1
Endowment comprehensive income	28	-	28	19	-	19
Restricted comprehensive income	6	-	6	4	-	4
Revaluation comprehensive income	7	-	7	29	-	29
	41	15	56	36	17	53
Fixed assets			1,493			1,399
Heritage assets			212			205
Investments			471			327
			2,176			1,931
Net current assets			255			242
Creditors over one year			(257)			(93)
Pension provisions			(254)			(216)
Net assets			1,920			1,864

* Research and Development Expenditure Credit (RDEC)

£92k

Our total income per FTE for 2015/16 was £91,555, an increase of six per cent.

FRS 102

The 2015/16 Annual Report and Accounts is the first time the University has reported its financial results under the new Financial Reporting Standard (FRS 102) – the biggest change to accounting reporting practice in a generation. This new standard brings UK accounting closer into line with International Reporting Standards. FRS 102 has been applied from 1 August 2014 and these are the first accounts prepared under the new standard and the new Higher Education Statement of Recommended Practice (HE SORP).

A fundamental change under the new standard is that the traditional 'bottom-line' or operational surplus is no longer clearly visible on the face of the new revenue statement, the consolidated statement of comprehensive income and expenditure (COSI), which replaces the income and expenditure statement. Instead, the focus is on collating all types of income, which includes committed restricted funds and non-cash unrealised gains (e.g. revaluation of heritage assets and gains/losses on investments). It also includes the impact of actuarial adjustments (e.g. pension scheme deficits which are dependent on market indices). The key changes are outlined on pages 54 and 55, Key changes to our statements under FRS 102.

All this makes direct comparisons with previous years' operational performance challenging and could also result in fluctuations in future years. With the introduction of FRS 102, the British University Finance Directors Group (BUFDG) are developing and selecting metrics as measures of operational performance and financial sustainability.

Financial review

(continued)

Based on the new standard, the surplus after taxation for the year 2015/16, including Research and Development Expenditure Credit (RDEC), is £90 million, but, as explained above, this surplus does not represent funds available for reinvestment. The surplus has moved favourably on the prior year surplus, restated for FRS 102, by £63 million, exemplifying the potential for figures to fluctuate year-on-year due to changes in market value and changes in actuarial assumptions. The surplus has moved due to a £38 million reduction in USS Recovery plan share in this year, plus £13 million gain on investments. In addition there was £12 million favourable movement from improved income generation and cost control.

To help the reader understand the Group financial performance, the 'comprehensive income' for the year (previously known as surplus) is broken down into its constituent parts:

- Unrestricted – available to re-invest in the business.
- Restricted – which are committed funds, not surplus cash.

We believe that unrestricted comprehensive income is now the most appropriate measure of performance. Total comprehensive income for 2015/16 was £56 million, but only 27 per cent of that, £15 million, represents funds available for reinvestment.

Future health

Key performance indicators are set out below with our latest assessment of progress presented as red (immediate action required, of which there are none), amber (more work required) and green (on track). When taken together these measures reflect the strong governance and effective management of the University's resources in sustaining financial health in the short, medium and long term in the face of significant external volatility.

	2016 actual	2015 actual	Red/amber/ green Status	Comment	2017 forecast	2018 forecast	2019 forecast
Total income £m	908	846	G		G	G	G
Unrestricted comprehensive income for the year as % of income	1.7%	0.1%	A	Forecast reduction to support our ten-year Estates Capital Plan.	A	A	G
Unrestricted reserves as % of income	81.4%	84.5%	G	University reserves position is strong and is forecast to remain strong.	G	G	G
External borrowing as a % of income	28.4%	12.3%	G	The University finance strategy is to use balance sheet capacity and historic low interest rates to secure estate investment.	A	A	A
Net cash inflow from operating activities as % of income	9.5%	7.5%	G	Our investment plan will absorb cash as we invest in the student experience and research infrastructure.	A	G	G
Net liquidity days	179	171	G	We will manage liquidity down to tighter terms as we invest to remain competitive.	G	G	G
Staff costs as a % of income	52.6%	58.4%	G	Staff costs are managed within a tightly controlled range.	G	G	G
MSI - Margin for Sustainability and Investment (modified EBITDA as % of income)	10.5%	11.0%	G	MSI is calculated from the required level of cash generation (modified EDITDA) over five years divided by the income. As the adoption of FRS102 is likely to cause more volatile financial results, the MSI will also be calculated using adjusted cash flow.	G	G	G
MSI - Margin for Sustainability and Investment (adjusted operating cash flow as % of income)	6.8%	7.1%	G	MSI is calculated from the required level of cash generation (adjusted operating cash flow) over five years divided by the income. It is anticipated that adjusted cash flow will be adopted as the basis for MSI in place of EBITDA.	G	G	G

Income

In an increasingly competitive environment we are pleased to have increased operational income by seven per cent which underlines the quality of our financial sustainability and demonstrates how the University is again well placed financially to deal with its short and longer term commitments.

Our continuing programme to recruit key academic staff has again supported our targeted increase in group income. Operational income per staff FTE (full-time equivalent) increased by 6.1 per cent in 2015/16.

3k

Over the last four year we have increased our non-EU student numbers by more than 3,000.

Scottish Funding Council (SFC) grants

Funding council grants reduced by £4.3 million although there were significant offsets underlying the position.

- Teaching grants (down by £4.8 million) reflecting the fourth and final year of phased withdrawal of funding for rest of the UK (RUK) undergraduate places;
- Research Excellence grant (down by £8.5 million) on the previous year as a result of the change in the Research Excellence Framework allocation method used by SFC;
- Infrastructure grants (up by £7 million) due to the change in FRS 102 grant accounting treatment means deferred capital grants for buildings and equipment are no longer released in year but capital grants are recognised on receipt unless there are performance conditions; and
- Other grants for specific SFC funding are up by £2 million from increased funding for Scottish Technology Innovation Centres, Data Lab and Digital Health Institute.

Student numbers

2015/16	Taught undergraduate	Taught postgraduate	Research postgraduate	Total
Scotland	8,832	1,765	1,611	12,208
Other UK	6,905	1,305	988	9,198
EU	2,602	1,113	1,027	4,742
Overseas	5,836	3,817	1,640	11,293
Channel Islands & Isle of Man	58	5	6	69
Total	24,233	8,005	5,272	37,510
Year-on-year increase	4.9%	12.2%	4.9%	6.4%
Proportion	64.6%	21.3%	14.1%	

2014/15	Taught undergraduate	Taught postgraduate	Research postgraduate	Total
Scotland	8,780	1,785	1,655	12,220
Other UK	6,275	1,100	915	8,290
EU	2,570	945	920	4,435
Overseas	5,395	3,300	1,530	10,225
Channel Islands & Isle of Man	75	5	5	85
Total	23,095	7,135	5,025	35,255
Proportion	65.5%	20.2%	14.3%	

Tuition fees and education contracts

Our student population grew by six per cent in the year to 37,510 students. Postgraduate students account for 35 per cent of the total student numbers, and EU and international students 57 per cent of postgraduates. We have exceeded our strategic target to increase non-EU student numbers by 2,000 during the period of our plan; the number rose by 3,029 in the last four years.

We saw a five per cent growth in research postgraduate students, building on last year's three per cent trend, which has been facilitated by our increase in research academic staff. This will also benefit our taught student population through leading edge research-led teaching programmes.

Tuition fee income rose by £30.7 million, of this £14.2 million of growth was due to the fourth and final year of the new RUK fee regime and £16.4 million growth reflected 10 per cent increase in international student numbers.

Financial review

(continued)

Income (continued)

Research grants and contracts

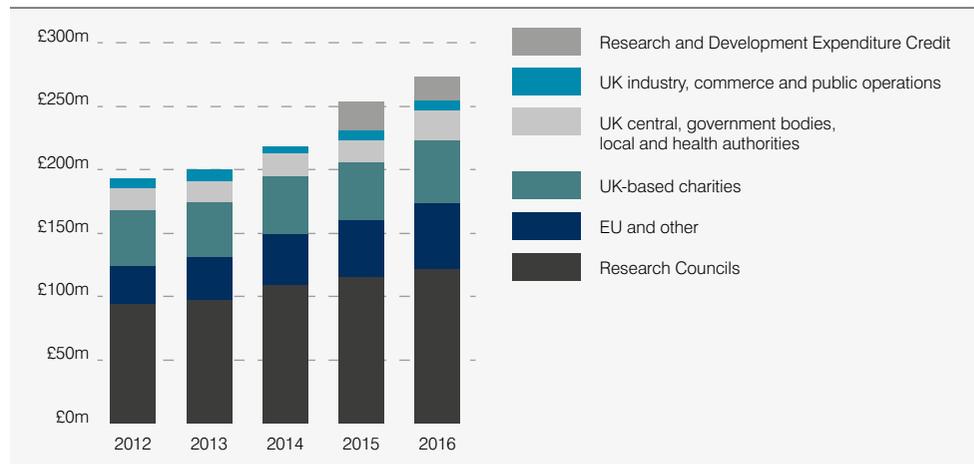
Research income from grants and contracts grew by 10 per cent (£22.7 million) on the previous year to £253.9 million, excluding RDEC. Research Councils UK grant income grew by five per cent (£6.2 million), Central and Local Government research income grew by 31 per cent (£5.4 million), research income from UK charities increased by eight per cent (£3.6 million) and EU Government bodies research funding grew by 12 per cent (£3.3 million). Research income from other sources increased by £4.2 million, a quarter of this growth was from Industry contracts.

Despite broader economic uncertainty, the University continues to be successful in winning research grants and contract awards, although this year's total of £268 million was down by 12 per cent on last year's record of £305 million. The number of research applications increased by five per cent but the value was down by two per cent to £882 million. Our success rate in converting research applications continues to exceed 40 per cent in volume terms, however in value terms our conversion factor was 30 per cent, down three per cent on last year.

Research and Development Expenditure Credit (RDEC)

The RDEC tax rules are designed to incentivise research and development. Last year we claimed £21.9 million successfully for financial years 2012/13 and 2013/14. In 2015/16 the University made a second and final successful claim of £19 million under these rules for 2014/15, along with an additional claim for 2013/14. The University has recognised the income of which it is reasonably assured of receiving. RDEC appears as an exceptional item in both years and, in line with guidance from BUFDG, the corresponding tax deduction of £3.9 million has been recognised in Taxation. The income was received in October 2016. No subsequent claims will be permitted as the entitlement for universities to claim has now been removed for the periods after 1 August 2015.

Research income



Other income

Nearly a fifth of the University's income is derived from other sources. Other income (£164 million) is up by 12 per cent (£18 million). Residences, Catering and Conferences income grew by 15 per cent (£8.2 million) due to new accommodation at Holyrood South and Riego Street. Other restricted income from academic and related activities increased by £1.2 million, and unrestricted income from academic and related activities increased by £8.7 million.

Investment income

Income from our investments was £10.2 million, seven per cent lower than last year, but overall value of investments (income plus capital appreciation) grew by seven per cent. Other interest receivable was £3.1 million, down by £0.5 million on last year, due to reduced bank interest rates.

Donations and endowments

Under FRS 102, new revenue recognition rules mean that we now include income from new donations and endowments accepted in year. If donations have performance related conditions, and these are not fulfilled at the balance sheet date, we defer the income in the balance sheet. In 2015/16 we received £4.4 million from new endowments (up by £2 million), and £7 million from donations (down by £3.4 million).

£268m

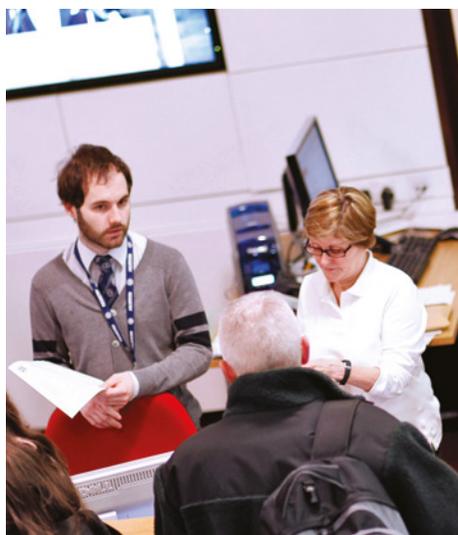
The value of research grant and contract awards was £268 million in 2015/16.

Expenditure

Group expenditure increased year-on-year by two per cent (£13.4 million), although if we exclude the impact of our share of the USS recovery plan, the underlying increase is four per cent, reflecting controlled investment for growth.

Staff costs

A university's most valuable resource is its staff and our costs to sustain this resource in 2015/16 were £467.9 million, up by five per cent (£20 million). This excludes our share of the USS recovery plan, which was £10 million this year (£46.5 million in 2014/15). Staff costs as a proportion of total operating income were 52.6 per cent (including RDEC), compared to the prior year restated comparator of 58.4 per cent, including the USS recovery costs. £10.9 million of the increase (54 per cent) was in academic and related support staff, with a further £2.8 million (14 per cent) invested in research grants and contracts staff as research income continued to grow. Staff were awarded a one per cent pay increase on 1 August 2015. Increased staff FTE account for 2.5 per cent of the total salary cost increase and an additional one per cent is due to incremental drift. Salaries make up 75 per cent of total staff costs with pensions, National Insurance and other employer costs comprising 25 per cent.



University staff are eligible to join one of two defined benefits pension schemes – the University Superannuation Scheme (USS) and the Staff Benefits Scheme (EUSBS) or, since March 2013, a defined contribution scheme, National Employee Savings Trust (NEST). Pensions are a significant staff benefit (26 per cent of direct salary costs) and the cost of providing these increased by £5.6 million (7.4 per cent) on 2014/15.

The new accounting standard FRS 102 means that, for the first time, we have included a provision for our share of the USS Pension Recovery plan in the staff costs and pension schemes disclosure (note 30). The 2014/15 figure, £46.5 million, represents the impact of the last Triennial valuation. The 2015/16 figure, £10 million, represents the increase in the USS pension provision in the past 12 months.

Other operating costs

Other costs, which include expenditure on subsidiary company activities, student accommodation, bursaries, premises costs and library services, have increased by £22 million (eight per cent) from last year.

There were significant investments in academic endeavour: £20.3 million increase in academic departments, bursary and research spend, £4.4 million in increased administration costs and £3.1 million from increased commercial activity in residences and catering and other income generating operations. Refurbishment costs were reduced by £1.7 million, eight per cent, although overall estates programme spend increased by £38 million on previous year. Operating lease rentals increased by £5.5 million, due to new student residences at Holyrood and Shrubhill.

53%

Staff costs as a proportion of total income were 53 per cent in 2015/16.

Expenditure on prizes, scholarships, studentships and bursaries remains a priority, increasing by 14 per cent to £30 million. The 2015/16 academic session saw over 150 first-year undergraduate students awarded an access bursary with over 450 continuing students having their access bursary renewed, totalling £744,000. 1,096 accommodation bursaries were awarded, totalling £1.6 million, and over 1,448 University of Edinburgh RUK bursaries were awarded, totalling approximately £6.5 million. Over 3,100 undergraduate students currently hold an Edinburgh Bursary rising from 2,600 in 2014/15.

Financial review

(continued)

Expenditure (continued)

Depreciation

Depreciation over the last five years has accounted for four to five per cent of total spend (£40 million in 2015/16) but capital spend has been increasing at a faster rate, reflecting the University's commitment to investing in quality infrastructure and equipment.

Interest payable

Interest payable is £12.8 million, just over half of the charge, £6.8 million, is interest payable on borrowing and finance leases and £6 million is the net charge on pension scheme liabilities.

Procurement

The University continues to look for savings and value for money opportunities to make most effective use of resources. Specific Procurement-led initiatives resulted in Value for Money (VfM) savings of approximately £13.6 million during 2015/16. The savings resulted mainly from higher value competitive tenders. Other savings were achieved through access to 173 collaborative contracts with APUC (Advanced Procurement for Universities and Colleges), other institutions and sectors. This covers more than 25 per cent of the in-scope procurement spend.

£14m

Procurement initiatives resulted in savings of £13.6 million in 2015/16.

Our sustainable procurement goal is to procure goods and services in ways that maximise efficiency and effectiveness while minimising social, environmental and other risks. As part of this commitment we encourage the use of supported businesses for the provision of some goods and services.

At the year end the amount due to trade creditors was equivalent to 14 days of purchases from suppliers. Nothing was paid under the Late Payments of Commercial Debts (Interest) Act 1998. The University's policy is to pay agreed invoices in accordance with the agreed terms of payment, which are available at www.ed.ac.uk/schools-departments/procurement/supplying/terms-and-conditions-of-purchase.

Procurement spend	2015/16	2015/16	2014/15	2014/15	2013/14	2013/14
	%	£m	%	£m	%	£m
University spend with small and medium-sized enterprises	53%	100	61%	100	57%	95
University spend in Scotland	51%	96	46%	75	50%	84
University spend in Edinburgh & Lothians	25%	47	28%	46	31%	52

Balance sheet

We are pleased to report continued strength in the University Group balance sheet. This strength was a key factor in securing long-term funding to invest in the transformational Estates Strategy and provides a strong covenant to the trustees of our pension funds. All balance sheet financial metrics are resilient.

Capital programme and estates maintenance

The University continues to deliver a significant programme of estates developments and equipment procurement. The development pipeline of estates projects is £1.5 billion over the next 10 years to support infrastructure developments that will deliver high quality educational and research facilities. Hard-won and carefully stewarded University cash reserves provide the leverage to raise the additional external grants and donation funding required. The physical estate encompassing buildings from several centuries ago is a key component of the University of Edinburgh brand. It requires a substantial level of investment to sustain the high quality.

In 2014/15, a revaluation of land and buildings was performed by Messrs Gerald Eve, Chartered Surveyors. As a result of this revaluation, the gross value of the University Group's land and buildings increased by £49 million to £1,386 million at the balance sheet date of 1 August 2014. On adoption of FRS 102, these revaluation gains are now measured as "deemed cost", no further valuations will take place and the University's property assets will now be accounted for on a cost basis.



Total assets

	2016 £m	2016 %	2015 £m	2014 £m	2013 £m	2012 £m
Fixed assets	1,493	55%	1,399	1,246	1,228	1,209
Heritage assets	212	8%	205	175	171	170
Current assets	531	20%	495	477	450	415
Investments	471	17%	327	298	284	238

Selected capital projects under construction and at design stage during the year

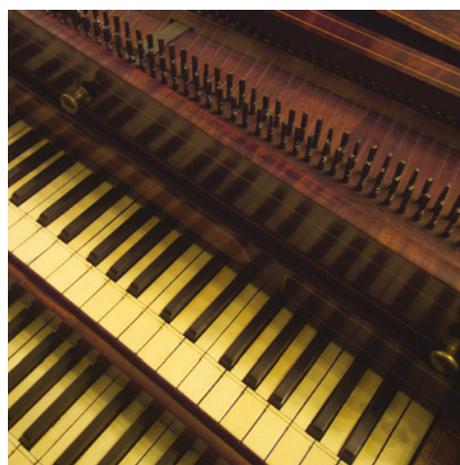
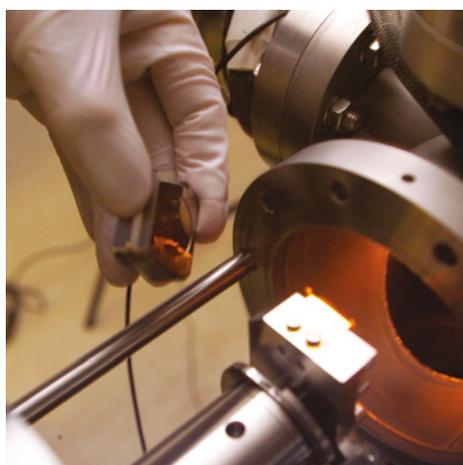
	Approved spend £m
Major projects under construction included:	
Data Technology Institute	39
McEwan Hall redevelopment	34
Old College redevelopment for School of Law	34
Easter Bush Centre Building	30
Student accommodation at Buccleugh Place and Meadow Lane	30
Appleton Tower redevelopment	23
Easter Bush Energy Centre	13
Clinical Research Imaging Centre extension	8
Ashworth Laboratories refurbishment	8
St Cecilia's redevelopment	7
Major projects at design stage included:	
Darwin Building redevelopment and new biology facilities at the King's Buildings	136
Institute for Regeneration and Repair at Little France	53
Large Animal Research and Imaging Facility at Easter Bush	24
Holland House refurbishment	11

Heritage assets

Since its foundation in 1583 the University of Edinburgh has acquired extensive collections of heritage assets to support its teaching, research and public engagement. These assets comprise printed, manuscript and photographic material, as well as objects such as paintings, sculptures and natural history, geology and anatomy specimens.

Often the strengths of the collections relate to the University's own specialist areas of excellence, but their breadth means they appeal to a wide range of users from publishers to genealogists. In total these collections extend to around 50 kilometres of materials, from a rare book to a potted specimen in the natural history collection. Many of these items are deemed of national importance while others, such as the historic musical instrument collection and some of the Islamic manuscripts, are regarded as world-class research and heritage resources. For these reasons, the heritage assets held in University Collections at Edinburgh make a telling contribution to scholarly endeavour, teaching and learning, the promotion of innovation and the dissemination of knowledge for the public benefit.

The Fine Art Collection and the Library Special Collections of Rare Books, Manuscripts and Archives represent approximately 90 per cent of the balance sheet value of the total Heritage Assets reported as at 31 July 2016. During the year an external revaluation exercise was carried out for these collections resulting in the total value of the University's heritage assets increasing by £7 million to £212 million.



Financial review

(continued)

Balance sheet (continued)

Endowment assets

To diversify risk, endowment assets are spread over seven fund managers and various asset types. There is also investment in property through the University subsidiary company, UoE Deaconess Ltd, which provides student accommodation at the former Deaconess Hospital.

Fund manager	Asset type
Aviva	Multi-asset
Baillie Gifford	Equities
Blackrock	Equities
Hermes Property Unit Trust	Property
Kames Capital	High yield bonds
Northern Trust	Emerging market equities
Savills	Property

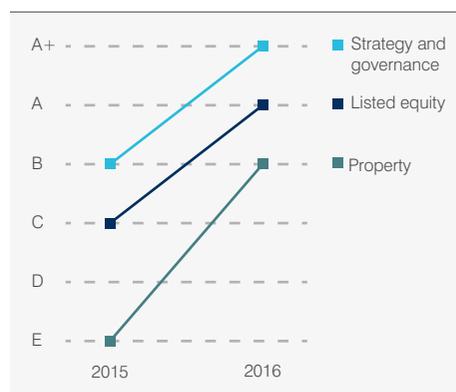
Investment performance continues to deliver satisfactory results despite market volatility. In the year to 31 July 2016 the endowment fund unit price rose to £34.51, an increase of 6.8 per cent on the price at 31 July 2015 (£32.31). In 2016, the University invested an additional £82.8 million in its unitised fund, £76 million from treasury funds and £6.8 million from endowment funds. The overall return on investment rose from £2.65 per unit to £2.92, an increase of 10.2 per cent. £85 million was set aside for investment in the unitised fund when suitable funds were identified and was invested in absolute return bond funds. At the end of the year the balance on this fund was £34 million, £53 million having been sold with a gain on sale of £1.3 million and an unrealised gain of £1.1 million on the balance.

Investments unit price movement 2015/16



Responsible Investment (RI)

The University has continued to improve its engagement in responsible investment. This is clearly shown in the graph below, produced by the PRI Association, where we were given an A+ for strategy and governance. Our direct investments are screened to ensure there is no investment in companies which generate a significant portion of their revenues from alcohol, gambling, tobacco, armaments or adult entertainment. The companies invested in must adhere to the core values of human rights, labour standards, the environment and anti-corruption.



All of our fund managers are signatories to UNPRI (United Nations Principles of Responsible Investment).

Net current assets

Net current assets have increased by £12 million on last year, due to a bigger increase in current assets, of £36 million, than in current liabilities, which increased by £24 million. Current assets grew by seven per cent, with a £15 million rise in trade receivables and a combined increase in cash and investments of £21 million. Our strategy is to make our cash balances work hard before they are required to fund the long-term capital plan and we have placed £76 million of our treasury balance as an investment in absolute return bond funds with our current fund managers.

Current liabilities increased by £24 million, of which £22 million is increased accruals and deferred income and £12 million is increased creditors. The amount of unsecured loans due within one year has reduced by £10 million.

10%

The overall return on our investments grew 10 per cent year on year.

Pension liabilities

The University's defined benefit pension schemes (USS and EUSBS) continue to record deficits relative to their forecast liabilities (full details are provided in Note 30 on pages 89 to 95). Pension benefits provided by the USS scheme changed and, from 1 April 2016, a new scheme structure was phased in for all members to address scheme deficits. The deficit on the Lothian Pension Fund (LPF) increased by £394,000 while the deficit on the Strathclyde Pension Fund (SPF) has increased by £136,000.

The triennial valuation of the EUSBS scheme took place as at 31 March 2015. This showed a shortfall between the assets and liabilities of £101.7 million, which is significantly higher than the figure disclosed at the 2012 valuation. The main reason for the deterioration is that corporate bond yields reduced over the period and, together with actuarial assumptions of increasing life expectation, increased the estimated fund liabilities compared to the level of investment return achieved. On an FRS 102 basis the fund deficit at 31 July 2016 included in these financial statements was £131.3 million. The University has proposed changes to the benefit structure to ensure the scheme can continue to provide suitable level of benefits at a sustainable cost. The proposed changes were subject to consultation with affected employees, which took place during August and September 2016. The Trustees and the University have now agreed upon a recovery plan, which provided for a substantial one-off lump sum payment of £19 million, plus a further £1 million paid recurrently while the scheme is in deficit, paid into the scheme in July 2016.

The USS deficit at its last triennial valuation at 31 March 2014 was approximately £5.3 billion. An alternative way of expressing the position is that the scheme's assets were sufficient to cover 89 per cent of its liabilities. At the previous valuation at 31 March 2011 the shortfall was £2.9 billion, equivalent to a funding level of 92 per cent.

Pension liabilities and active members 2015/16

Pension scheme	Assets £m	Liabilities £m	Deficit £m	Active members	Active members %
Service cost accounted for under FRS102:					
EUSBS	371	(502)	(131)	1,955	18.3%
LGPS (SPF and LPF)	50	(58)	(8)	52	0.5%
	421	(560)	(139)	2,007	18.8%
Defined contribution treatment:					
USS				7,245	67.8%
Other schemes inc. NEST				1,428	13.4%
				8,673	81.2%
Total				10,680	100.0%

Following a review of scheme funding, the trustee confirmed that substantially increased contributions would be required to continue to provide the existing arrangements. The table below is a summary of the agreed changes to contributions that were implemented in phases from 1 April 2016, further information is available at www.uss.co.uk.

USS pension scheme contributions	31 July 2016	31 July 2015
Employer	18%	16%
Employee	8%	Final salary: 7.5% Career revalued benefit: 6.5%

Since 1 April 2016 all members became part of the USS Retirement Income Builder. From that date all members will accrue a pension of 1/75th of salary and a cash lump sum of 3/75th of salary for each year of service, based on pensionable salary each year. From 1 October 2016, a Career-Revalued Benefits (CRB) scheme is available on pensionable salary up to the threshold – initially £55,000 a year.

From 1 October 2016 the new defined contribution (DC) section was introduced, the USS Investment Builder. Members of the USS pension scheme earning above £55,000 per year will be automatically contributing to the new DC section on their earnings above that level. In addition, all members, irrespective of their salary, will have the opportunity to take up a one per cent matching contribution from their employer.

Previously the University's share of the USS deficit was not accounted for on the University's balance sheet as the scheme assets and liabilities are not broken down by individual institution, however this has changed from 2015/16 under FRS 102. Under FRS 102 the present value of deficit recovery plans for multi-employer pension schemes needs to be recognised on the balance sheet as a provision for that liability. Under the new rules the initial liability in respect of the University's share of the USS deficit was recorded as a provision on the balance sheet and will be unwound over time as the liability is discharged.

Financial Review

(continued)

Taxation

The University is an exempt charity within the meaning of the Trustee Investment and Charities (Scotland) Act 2005 and recognised as a charity by HM Revenue & Customs. Commercial trading activities undertaken by the University are operated through its subsidiary companies and attract VAT where applicable. Indirect tax (VAT) and payroll taxes (PAYE and National Insurance contributions) collected and paid amounted to £7 million and £109 million respectively.

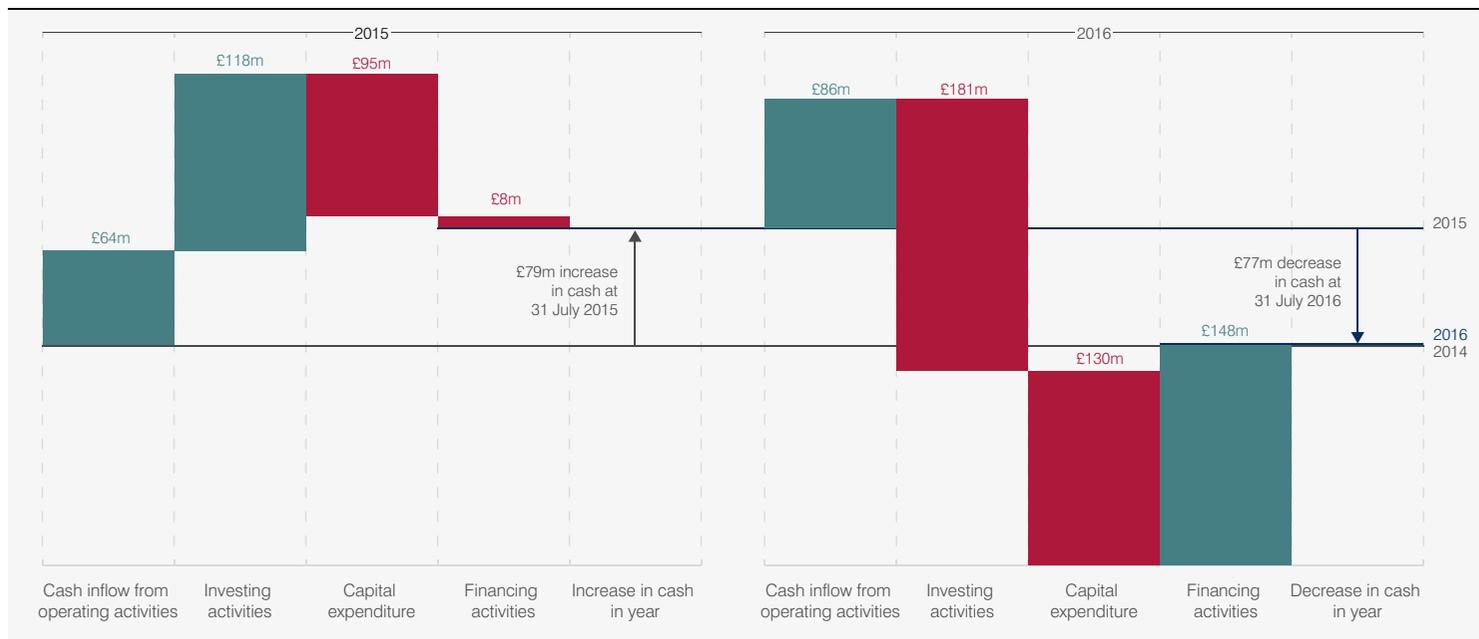
Cash movement

The University has cash commitments of £275 million. £142 million is contractually committed via leases, capital contracts and borrowings and £133 million relates to restricted funds not spent but provided by external funders, mainly research sponsors and donors.

Changes in cash movement for 2015/16 can be summarised as follows:

- **Net cash inflow from operating activities** was £86 million, an increase of £22 million from 2014/15.
- **Investing activities** totalled £311 million. When capital expenditure of £130 million is deducted, the net investing activities total £181 million. Cash outflows in the year include net £83 million in non-current asset investments, £35 million in fixed asset receipts less £118 million in other investing activities. A further £98 million was deposited in short to medium-term investments.
- **Capital expenditure** was £130 million in the year, a £35 million rise from 2014/15 reflecting continued growth in spend on the University's Estates Capital Plan.
- **Financing activities** - to help fund the estates programme, new borrowings of £167 million were taken in the year. The £167 million financing equates to £100 million private placement funding and the first £67 million of £200 million secured with the European Investment Bank. When interest and loan repayments are deducted from the new unsecured loans, the net cash inflow from financing activities totals £148 million.
- **Decrease in cash in year** - the net decrease in cash and cash equivalents for the year is £77 million, outflows on capital expenditure and investing activities exceeding operating surplus and new borrowings cash inflows.

Cash movement



Institutional sustainability

The University of Edinburgh's governing body, the University Court, has comprehensive arrangements in place to monitor, assess and ensure the institution's sustainability. University Court and its committees annually consider and review progress against the University's Strategic Plan 2012-16 targets and key performance indicators (KPIs). These targets and KPIs cover the University's activities including teaching, learning and the student experience, research outputs and sustainability, financial performance and sustainability, financial health and other key areas. This annual reporting is supplemented by in-year reporting of areas where further work is required. The process of Strategic Plan monitoring is covered by the University's internal audit programme.

The annual self-evaluation progress report on the University's Outcome Agreement with the Scottish Funding Council is also reviewed and considered by Court. This progress report covers activity in support of broad outcomes, and for 2015/16 these included: industry/university collaboration, exploitation and competitiveness and research, widening access to university, learner journey and retention, equality and diversity as well as the coherence of education provision. The progress report on the Outcome Agreement sits alongside the annual report on institution-led internal review, which is part of the University's quality assurance and enhancement arrangements.

Financial performance and sustainability

Universities have recognised for many years that an operating surplus is required to generate cash for reinvestment. With reducing capital grants to the sector, this has become even more important. The British Universities Finance Directors Group (BUFDG) agreed that operating cash targets and outcomes should be reported using the metric EBITDA (earnings before interest, tax, depreciation and amortisation). BUFDG have described EBITDA as:

"A measure of operating surplus, excluding the major accounting adjustments and finance charges. It provides a useful comparative as it measures operating performance before local decisions on accounting and finance policies are taken into account. It provides a good indication of financial capability to service debt and/or finance capital expenditure from internally generated cash."

In 2015/16, the BUFDG Financial Metrics Working Group have reviewed this EBITDA financial sustainability measure in light of the new SORP and FRS 102. Using guidance from BUFDG, HEFCE (Higher Education Funding Council for England) are testing an approach to a financial commitment threshold using a new measure, Margin for Sustainability and Investment (MSI), in the Annual Sustainability Assurance Report: December 2016. The MSI is calculated from the institution's average required level of cash generation (EBITDA) over six years (three years' results plus three years' forecast), divided by the adjusted income for the current year. In the 2015/16 return, the average is five years as only FRS 102 restated results for two years, 2014/15 and 2015/16, are available. In this first year of reporting, the MSI is calculated using two methods, one based on EBITDA and one based on adjusted operating cash flow. It is anticipated that the adoption of adjusted cash flow as the basis of MSI will be appropriate. The new MSI metric is reported in the future health table on page 32 of the Financial Review.

	2016 £m	2015 £m	2014 £m	2013 £m	2012 £m
EBITDA	127	108	55	59	63

The reported EBITDA metrics are calculated on a FRS 102 basis for 2014/15 and 2015/16 and UK GAAP for the years 2011/12 to 2013/14.

Future

The University is again well placed financially to deal with its short and longer term commitments. While the outcome of the EU referendum is a great challenge for us we, are developing a new framework for continued stability by focussing even more strongly on online education and international partnerships. We are also able to manage significant change as it arises and work is underway to ensure compliance with the provisions of the Higher Education Governance (Scotland) Act 2016.

The University will continue to introduce changes to its financial statements to improve the quality of financial and business performance reporting to its broad audience of stakeholders. These will increasingly reflect the integrated thinking and reporting we apply internally.



Ms Anne Richards
Vice-Convener of Court

Corporate governance statement

The University of Edinburgh is committed to sector leading standards of corporate governance.

The University's corporate governance is informed by the Scottish Code of Good Higher Education Governance and throughout 2015/16 the University has applied the Main Principles of the Code. The University is contributing constructively to the evidence gathering that will inform the current review of the Scottish Code by the Committee of Scottish Chairs.

Court notes the Higher Education Governance (Scotland) Act 2016 which received Royal Assent on 13 April 2016 and work is underway to ensure compliance within the transitional period following commencement of the Act. This will require amendment of University Ordinances, which are subject to the approval of the Privy Council.

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 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 non-teaching/academic staff from amongst their number and two fully matriculated student members nominated by the Students' Representative Council (now known as EUSA). 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/CourtSkillsRegister.pdf.

In addition to the members of Court and the University Secretary, a number of senior officers of the University regularly attended meetings during 2015/16: Rector's Assessor, Senior Vice-Principal, Vice-Principal (Planning, Resources and Research Policy), Heads of Colleges and Support Groups, Deputy Secretary Strategic Planning, Deputy Secretary Student Experience and Directors of Finance, Communications and Marketing, Estates, Legal Services and Human Resources. The Head of Court Services who acts as Clerk to Court is also in attendance at all meetings.

The terms of office of the two student representatives and two Senate Assessors ceased at the end of the academic year 2015/16 and they were succeeded by new members. An induction event was held at the beginning of September 2015 for new Court members and other training and development opportunities are made available as appropriate for all Court members throughout the year. A mentoring scheme for new Court members is also in operation.

Court is committed to the Nolan Principles regarding standards to be adopted in public life. It maintains a Register of Interests of its members and senior University officers which is publicly available for inspection. On joining Court, members are required to sign a statement confirming that they will comply with the University's Code of Conduct which makes reference to the Nolan Principles and to the Register of Interests. The current interests of members of the Court are published on the University's web site at: www.ed.ac.uk/governance-strategic-planning/governance/university-court.

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 approved a statement in relation to slavery and human trafficking, in compliance with the Modern Slavery Act 2015, at its meeting on 5 December 2016. This is published on the University's website at www.ed.ac.uk/about/sustainability/about/programmes/fairness-trade-sustainable-procurement/modern-slavery.

Court met on five occasions during 2015/16 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. A Court seminar was held in September 2015 on developing the 2016-21 Strategic Plan and in February 2016 on Equality and Diversity and Strategic Partnerships. In April 2016, Court held its second 'Meet the Court' event, at which the Principal, Vice-Convenor of Court, Rector and University Secretary delivered presentations to staff and students on the activities of Court and led a question and answer session. A joint meeting between Court and Senate Committee Conveners was held in June 2016 with round table discussions on key areas of mutual interest. Court consults with Senate and General Council as required by statute.

Court has overall responsibility for the University's strategic development. It is actively engaged in the University's strategic planning processes and in monitoring progress against the approved Strategic Plan. The Strategic Plan operative during 2015/16 was adopted by the University Court at its meeting on 2 July 2012 and covers the period 2012-2016. Court agreed the process for developing a new Strategic Plan at its meeting on 22 June 2015 and the next Strategic Plan was approved by Court at its meeting on 20 June 2016, following a wide consultation process.

During 2015/16, as well as the more routine items, Court considered the following:

- Approval of £300 million loan facilities (£200 million from the European Investment Bank, £100 million from US investment funds) to support delivery of the Estates Strategy;
- Adoption of Responsible Investment Policy Statement;
- Establishment of an Edinburgh Global Academy of Agriculture and Food Security;
- Approval of a revised Delegated Authority Schedule (DAS) to reflect the current structures and needs of the University focused on key areas of delegation; and
- The potential impact of a change in the UK's relationship with the EU.

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.

Outstanding student experience

University invests in student facilities

A multi-million pound investment in buildings and facilities across the University is underway. Over the next few years, a series of projects will transform existing spaces, provide new ones and offer staff and students a greatly enhanced environment in which to work and study.

"I'm very pleased about the programme of new buildings and improvements planned, which will transform the estate into more efficient and inspiring spaces. This investment will significantly enrich the student experience and allow us to create a world-class teaching and learning environment which matches expectations and responds flexibly to changing student and staff needs."

Professor Sir Timothy O'Shea
Principal, the University of Edinburgh



Corporate governance statement

(continued)

Performance evaluation

During 2015/16, 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 as well as an anonymised survey of Court members' views.

From 1 August 2014 a revised Committee structure was implemented, to ensure compliance with the Scottish Code, to improve clarity around the decision making process and to enhance the flow of information to Court. Each Committee is formally constituted with terms of reference including membership approved by Court. During 2015/16, Court reviewed the effectiveness of its Standing and Thematic Committees, to ensure the effective operation of the revised structure.

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.

University of Edinburgh Committee structure

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.

Standing committees

- ▶ **Audit and Risk Committee**
Convener: Mr 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 Sir Tim O'Shea, 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: Ms 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: Ms 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: Ms 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: Lady 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.

University of Edinburgh Committee structure

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 monitor and regulate the teaching and discipline of the University and to promote research. The Principal presides at meetings of the Senate.

Standing committees

- ▶ **Curriculum and Student Progression Committee**
Convener: Assistant Principal Professor Alan Murray
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: Senior Vice-Principal Professor Charlie Jeffery
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: Assistant Principal Professor Tina Harrison
The Quality Assurance Committee is responsible for the University's academic quality assurance framework.
- ▶ **Researcher Experience Committee**
Convener: Assistant Principal Professor Jeremy Bradshaw
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.

Joint Committee of Senate and Court

University Court

- ▶ **Knowledge Strategy Committee**
Convener: Ms 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.

Standing committees

Audit and Risk Committee

Thematic committees

- ▶ **Risk Management Committee**
Convener: Mr 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.

Policy and Resources Committee

- ▶ **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: Mr 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 was monitoring its performance and managing its HR issues effectively.

Corporate governance statement

(continued)

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. As at 31 July 2016 it had 207,699 members. It has a statutory right to comment on matters which affect the well-being and prosperity of the University and to be consulted on Ordinances and Resolutions. The aim is to ensure that graduates of this University have a continuing voice in the management of its affairs. It is also responsible for election of the Chancellor and three Court Assessors.

Statutory half-yearly meetings of the Council are normally held on the second Saturday in February and the last Saturday in June, although recently the June meeting has been held earlier in the month. During 2015/16, the following items were discussed at these meetings:

- The Principal reported on the University's reports and financial statements at the February half-yearly meeting; and
- The June 2016 half-yearly meeting was held in Guy's Campus, King's College, London as part of an afternoon session with the Global Academies, followed by a reception in City Hall where guest speaker Sir John Beddington gave a presentation on climate change and the future of the global community.

Through its Business Committee members follow progress in a number of areas, including student satisfaction, league table positions, internationalisation, the financial status of the University and the impact of the Scottish Government's Review of Higher Education Governance.

The Business Committee is the principal Committee of the General Council with four supporting Standing Committees, as follows:

Business Committee

Convener: Professor Stuart Macpherson

Vice Convener: Mr Gordon Cairns

Academic Standing Committee

Convener: Professor Stephen Hillier

Constitutional Standing Committee

Convener: Professor David Munro

Finance & Services Standing Committee

Convener: Sir Philip Mawer

Public Affairs Standing Committee

Convener: Mr Matt McPherson

Central Management Group

The University also has a Central Management Group (CMG) whose membership includes major budget holders in the University and Vice-Principals who advise the Principal on senior management decisions, particularly on the allocation of budgets to Colleges and Support Services. CMG is chaired by the Principal and acts as a forum for debate and decision-making on initiatives and issues for the University. Its members are responsible and accountable for all components of the University's budget, both income and expenditure. As such it plays an important part in the internal governance and academic operations of the University, and brings together the academic, financial, human resources and accommodation aspects of planning. It is responsible for managing the University's performance and for assisting the Principal in delivery of the University's strategy. CMG also provides advice and views on proposals and reports and ensures a consistent approach to activity across the University.

During 2015/16, CMG instituted a review of its processes and membership which resulted in some changes of emphasis and a realigned membership profile, to include increased representation from Heads of Schools to strengthen the link between academic and professional governance and operations.

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 Authorisation Schedule was approved by Court in 2003 and revised in 2010. A revised Delegated Authorisation Schedule was developed and consulted on throughout 2014/15 with the aim of improving accessibility and clarifying the relationships between approval levels and contract signatories. The current Delegated Authorisation Schedule was approved by Court and came into effect on 7 December 2015.

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 2015/16, the Register and Risk Appetite Statement were reviewed by the Risk Management Committee and considered by the Central Management Group, the Audit and Risk Committee, and the Policy and Resources Committee prior to consideration and approval by Court on 20 June 2016.

College, Support Group 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 15 September 2016 and expressed itself satisfied with the outcome.

By its 5 December 2016 meeting, Court had received the Audit and Risk Committee Report for the year ended 31 July 2016 and information from the Risk Management Committee; it also had taken account of relevant events since 31 July 2016. During 2015/16, 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 2016.

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 2015/16 presented to the Audit and Risk Committee on the adequacy and effectiveness of systems of internal control including governance and risk management, together with recommendations for improvement, along with the Principal's expression of satisfaction with the performance of the Internal Audit service in his capacity as Accountable Officer;

- The Risk Management Committee's Annual Report 2015/16 presented to the Audit and Risk Committee regarding its operation;
- Comments made by the External Auditors in their Report to the Audit and Risk Committee and other reports; and
- The work of managers within the institution, who have responsibility for the development and maintenance of the internal control framework, and by any relevant comments made by other external agencies (for example, 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 2015/16 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.

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 2016, income and expenditure, assets, liquidity and cash flows are set out in more detail in the Financial Statements and Notes to the Financial Statements.

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

Court considers that the University has adequate resources to continue in operation for 12 months from the closing balance sheet date and for this reason the going concern basis continues to be adopted when preparing the Accounts.

Corporate governance statement

(continued)

Responsibilities of Court

On 12 May 2014 Court adopted this Statement of Primary Responsibilities as set out below and which was in operation during 2015/16.

Court's primary responsibilities are:

I. Strategic direction

- To approve the mission and strategic vision of the University and its major priorities as expressed in the University-level Strategic Plan underpinned by complementary strategies and long-term academic and business plans;
- To ensure that the approved mission and strategic vision of the University takes proper account of the interests of stakeholders, including students, staff, alumni, the wider community and funding bodies;
- To ensure strategies complementary to the University-level Strategic Plan are in place and in particular to approve financial, estates, staff, information technology and management strategies in support of institutional objectives and priorities as expressed in the approved University-level Strategic Plan;
- To ensure strategies are in place to enhance the student experience;
- To ensure processes are in place to monitor and evaluate the performance and effectiveness of the University against the University-level Strategic Plan and to approve key performance indicators (KPIs), which should, where possible, be benchmarked against other comparable Universities; and
- To promote and safeguard the reputation and values of the University.

II. Responsibilities in relation to management and Senate

- To appoint the Principal as chief executive, including determining the terms and conditions of such an appointment, and to put in place suitable arrangements for monitoring his/her performance which include consultation with all members of Court;
- To delegate authority to the Principal, as chief executive, for the academic, corporate, financial, estate and people management of the University subject to reserving such matters to itself as Court thinks appropriate;
- To establish and keep under regular review the policies, procedures and limits within which such management functions shall be undertaken by and under the authority of the Principal;
- To appoint a University Secretary to Court and to ensure that if the person appointed has managerial responsibilities in the University, there is an appropriate separation in the lines of accountability;
- To review decisions made by the Senate as prescribed in statute; and
- To ensure that the Senate has processes in place for monitoring and reporting the quality of education provision and to monitor quality enhancement arrangements.

III. Exercise of controls

- To ensure the establishment and monitoring of systems of control and accountability, including financial and operational controls and risk assessment, arrangements for internal and external audit and regularly reviewed schedules of delegated authority;
- To be the principal financial and business authority of the University, to ensure that proper books of account are kept, to approve the annual budget and financial statements, to have overall responsibility for the University's assets, property and estates and to safeguard long-term sustainability;

- To ensure that appropriate arrangements are in place for the management of health, safety and security in respect of students, staff and other persons affected by the University's operations; and
- To ensure that appropriate arrangements are in place for promoting equality and diversity in respect of students, staff and other persons making use of University services or facilities.

IV. Corporate responsibilities

- To be the University's legal authority and, as such, to ensure that systems are in place for meeting all the University's legal obligations, including those arising from contracts and other legal commitments made in the University's name;
- To ensure adherence to the requirements specified by the Scottish Funding Council in terms of its Financial Memorandum and other funding documents including ensuring delivery of outcome agreements;
- To be the employing authority for all staff in the University and to ensure that employer obligations are met including with regard to the welfare, development and reward of employees;
- To put in place appropriate arrangements for determining and regular review of the performance, remuneration and conditions of service of staff;
- To ensure that arrangements are in place to protect the academic freedom of relevant staff with due regard to relevant legislation and the governing instruments of the University;
- To make provision for the general welfare of students, in consultation with Senate and EUSA;
- To act as trustee for, or make appropriate alternative arrangements for the trusteeship of, any property, legacy, endowment, bequest or gift in support of the work and welfare of the University;
- To make appropriate arrangements compliant with relevant legislation for the trusteeship of any pension scheme established by Court for University employees and to employ the employer-nominated trustees;
- To ensure that at all times it operates within the terms of the Universities (Scotland) Acts 1858-1966, Ordinances and Resolutions made under those Acts and any other relevant legislation; and that appropriate advice is available to enable this to happen; and
- To ensure that the University acts ethically, responsibly and with respect for society at large and the sustainability of the environment.

V. Effectiveness and transparency

- To conduct its business in accordance with best practice in higher education corporate governance, with the principles of public life drawn up by the Committee on Standards in Public Life, and with best practice in regard to equality and diversity;
- To ensure that clear procedures are in place in the University for handling internal grievances, potential conflicts of interest and 'whistleblowing' complaints with due regard to relevant legislation;
- To put in place arrangements for the appointment of co-opted members of Court so as to maintain a broad balance of expertise taking account of the principles of equal opportunity; and
- To establish processes to monitor and evaluate the performance and effectiveness of Court itself and that of its Committees.

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 (SORP): Accounting for Further and Higher Education (updated for FRS 102) 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 Scottish Funding Council and any other conditions which the Scottish 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.



Ms Anne Richards

Vice-Convenor of Court

5 December 2016

Corporate governance statement

(continued)

Membership of the University Court

		Court meetings attended	Committee memberships 2015/16	Committee memberships 2016/17	
Rector					
Presides at meetings of Court	Mr Steve Morrison	5/5			
Principal and Vice-Chancellor					
	Professor Sir Timothy O'Shea	5/5	CB PRC EXC NC	CB PRC EXC NC	
Chancellor's Assessor					
Nominated by Chancellor	Sheriff Principal Edward F Bowen	4/5	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)	Ms Anne Richards (Vice-Convener of Court)	5/5	PRC EXC NC RC	PRC EXC NC RC	
	Mr David Bentley	4/5	PRC EC IC	PRC EC IC	
	Dr Robert Black	4/5	ARC NC	ARC NC	
	Mr Peter Budd	3/5	ARC EC KSC	ARC EC	
	Ms Alison Grant	3/5	PRC KSC	PRC KSC	
	Dr Chris Masters	4/5	PRC RC IC	PRC RC IC	
	Lady Susan Rice	3/5	PRC EXC NC RC	PRC EXC NC RC	
	Mr Alan Johnston	4/5	ARC EXC RC	ARC EXC RC	
General Council Assessors					
Three Assessors elected by General Council for terms of office of four years	Dr Alan Brown	5/5	ARC	ARC	
	Mr Ritchie Walker	5/5		KSC	
	Ms Doreen Davidson	5/5	CB PRC EXC NC PC IC KSC	CB PRC EXC NC PC IC KSC	
Senatus Academicus Assessors					
Four Assessors elected by the Senate for terms of office of four years	Professor Marialuisa Aliotta	5/5	PRC		
	Professor Jake Ansell	5/5	EXC NC		
	Professor Sarah Cooper	4/5		EXC PRC	
	Dr Claire Phillips	3/5	KSC	CB KSC	
City of Edinburgh Council Assessor					
One Assessor nominated by City of Edinburgh Council	The Rt Hon Donald Wilson	0/5	CB	CB	
Non-Teaching Staff Assessor					
Elected by non-teaching staff for a period of four years	Ms Angi Lamb	4/5	KSC	KSC	
Student members					
Annually nominated by the EUSA from among sabbatical officers	Mr Jonny Ross-Tatam (to 5 June 2016)	4/4	EXC PRC NC		
	Ms Urte Macikene (to 5 June 2016)	4/4			
	Mr Alec Edgecliffe-Johnson (from 6 June 2016)	1/1		EXC PRC NC	
	Ms Jenna Kelly (from 6 June 2016)	1/1			
Key to committee memberships					
Audit and Risk Committee	ARC	Investment Committee	IC	Policy and Resources Committee	PRC
Committee on University Benefactors	CB	Knowledge Strategy Committee	KSC	Remuneration Committee	RC
Estates Committee	EC	Nominations Committee	NC		
Exception Committee	EXC	People Committee	PC		

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

Membership of Standing Committees

		Meetings attended
Audit and Risk Committee		
Lay Members of Court	Mr Alan Johnston (Convener)	4/4
	Mr Peter Budd	2/4
	Dr Robert Black	4/4
	Dr Alan Brown	2/4
External Members		
Appointed through an open advertisement and interview process	Mr Bindesh Savjani	4/4
	Mr Jim Bishop	3/4
Nominations Committee		
Ex-officio Members		
The Principal	Professor Sir Timothy O'Shea	3/4
Vice-Convener of Court	Ms Anne Richards (Convener)	4/4
University Secretary	Ms Sarah Smith	4/4
Senate Assessor	Professor Jake Ansell	3/4
General Council Assessor	Ms Doreen Davidson	4/4
Lay Members of Court	Dr Robert Black	3/4
	Lady Susan Rice	4/4
Student Member of Court	Mr Jonny Ross-Tatam	4/4
Remuneration Committee		
Ex-officio Member		
Vice-Convener of Court	Ms Anne Richards	2/2
Lay Members of Court	Lady Susan Rice (Convener)	2/2
	Mr Alan Johnston	2/2
	Dr Chris Masters	2/2
Exception Committee		
Ex-officio Members		
The Principal	Professor Sir Timothy O'Shea	
Vice-Convener of Court	Ms Anne Richards (Convener)	
University Secretary	Ms Sarah Smith	
Convener of Audit & Risk Committee	Mr Alan Johnston	
Convener of Knowledge Strategy Committee	Ms Doreen Davidson	
Convener of Remuneration Committee	Lady Susan Rice	
Senate/Non teaching staff Assessor	Professor Sarah Cooper	
Student Member of Court	Mr Alec Edgecliffe-Johnson	

		Meetings attended
Knowledge Strategy Committee		
Ex-officio Member		
Chief Information Officer	Mr Gavin McLachlan	4/4
EUSA Representative	Ms Imogen Wilson	4/4
Members of Court		
	Ms Doreen Davidson (Convener)	4/5
	Mr Peter Budd	1/4
	Ms Angi Lamb	3/4
	Ms Alison Grant	2/4
	Dr Claire Phillips (from 1 January 2016)	2/3
Members of Senate		
	Professor Jeff Haywood (to 11 March 2016)	3/3
	Professor Charlie Jeffery (from 23 January 2016)	1/2
	Professor Tina Harrison (from 23 January 2016)	2/2
	Professor Alan Murray (from 23 January 2016)	1/2
	Professor Jeremy Bradshaw (from 23 January 2016)	1/2
	Professor Richard Coyne (to 22 January 2016)	1/2
	Dr Gordon McDougall (to 22 January 2016)	2/2
	Professor Allan Cumming (to 22 January 2016)	2/2
Policy and Resources Committee		
Ex-officio Members		
The Principal	Professor Sir Timothy O'Shea	5/5
Vice-Convener of Court	Ms Anne Richards (Convener)	4/5
University Secretary	Ms Sarah Smith	4/5
Senate Assessor	Professor Marialuisa Aliotta	3/5
Vice Principal Planning & Resources	Professor Jonathan Seckl	4/5
Lay Members of Court		
	Mr David Bentley	5/5
	Ms Doreen Davidson	5/5
	Lady Susan Rice	5/5
	Dr Chris Masters	5/5
	Ms Alison Grant	5/5
Student Member of Court		
	Mr Jonny Ross-Tatam (to 5 June 2016)	4/4
	Mr Alec Edgecliffe-Johnson (from 6 June 2016)	1/1

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

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

Report on the financial statements

Our 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 2016 and of the group's and parent institution's comprehensive income and expenditure and cash flows for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice;
- 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).

What we have audited

The financial statements, included within the Annual Report and Accounts (the "Annual Report"), comprise:

- the consolidated and parent institution's Balance Sheets as at 31 July 2016;
- the consolidated and parent institution's Statement of Comprehensive Income and Expenditure for the year then ended;
- the consolidated and parent institution's 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.

The financial reporting framework that has been applied in the preparation of the financial statements is the Statement of Recommended Practice for Further and Higher Education, incorporating United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law (United Kingdom Generally Accepted Accounting Practice).

In applying the financial reporting framework, the Court of the University of Edinburgh ("the Court") has made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

Opinions on other matters prescribed in paragraph 39 of the mandatory requirements attached to the Scottish Funding Council's Financial Memorandum with the University of Edinburgh

In our opinion, in all material respects:

- 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.

Other matters on which we are required to report by exception

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.

Other information in the Annual 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

Respective responsibilities of the Court and auditors

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 responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) ("ISAs (UK & Ireland)"). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

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.

What an audit of financial statements involves

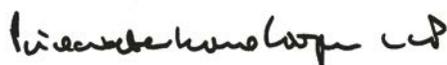
We conducted our audit in accordance with ISAs (UK & Ireland). An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

- whether the accounting policies are appropriate to the group's and parent institution's circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the Court; and
- the overall presentation of the financial statements.

We primarily focus our work in these areas by assessing the Court judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

In addition, we read all the financial and non-financial information in the Annual Report and Accounts (the "Annual Report") to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.



PricewaterhouseCoopers LLP

Chartered Accountants and Statutory Auditors
Glasgow
5 December 2016

(a) The maintenance and integrity of the University of Edinburgh website is the responsibility of the Court; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.

(b) Legislation in the United Kingdom governing the preparation and dissemination of the financial statements may differ from legislation in other jurisdictions.

Key changes to our statements under FRS 102

A new primary statement for 2015/16

The financial year 2015/16 was the first year of reporting under the new Financial Reporting Standard 102 (FRS 102) which came in to effect for the University on 1st August 2015. This single reporting standard replaces the previous UK Generally Accepted Accounting Practice (UK GAAP) and intends to make reporting simpler and more proportionate to the size of the entity. As well as the most obvious changes to the presentation of the primary statements, the new standard also affects certain disclosures, measurement and recognition of certain assets and liabilities. These notes highlight the main differences in the consolidated statement of comprehensive income and expenditure (COSI).

Notes

a	Income
	Tuition fees and education contracts
b	Funding body grants
	Research income
	Other income
	Investment income
	Total income before endowments and donations
c	Donations and endowments
	Total income
d	Expenditure
	Staff costs
	Other operating expenses
	Depreciation
	Interest and other finance costs
	Total expenditure
	Surplus/(deficit) before other gains and losses
	Gain on disposal of fixed assets
e	Gain on investments
	Surplus/(deficit) before tax
	Taxation
f	Surplus/(deficit) for the year
g	Unrealised surplus on revaluation of heritage assets
	Actuarial loss in respect of pension schemes
	Total comprehensive income for the year
h	Represented by:
i	Unrestricted comprehensive income for the year
	Restricted comprehensive income for the year
	Endowment comprehensive income for the year
	Revaluation reserve comprehensive income for the year

a) The income format and content has changed

Tuition fees now appear first on the statement and are reported before funding body grants.

b) Income from funding body grants now includes capital grants recognised in full on receipt

Previously, the majority of SFC capital grants were deferred on the balance sheet and 'drip fed' into income over a number of years as the capital items were depreciated. Now, only capital grants with performance related conditions are deferred, and then released to the COSI once the conditions are met.

c) New donations/endowments are now recognised as income in the year of receipt

Previously, income from donations and endowments was deferred and then recognised when we spent it. Now, this income will be included in the year it is received or pledged, but, as with capital grants, we still defer this income if the donation has performance related conditions that have not been met at the balance sheet date.

Also, when a donor endows money (where initial sum is invested and we spend the interest) this appears here too, even though this initial sum is invested to generate a return.

d) Expenditure format is unchanged — but changes behind the scenes

There is no change to format, although accounting treatment of some of the numbers. For example, staff costs now include a new provision relating to the University's share of the USS deficit recovery plan and a provision for holiday pay earned but not taken at the balance sheet date. Other operating expenses are lower as more Estates project spend is capitalised.

e) Unrealised gains/losses on investments (not yet converted to cash) now feature here

These used to appear within the Statement of Total Recognised Gains and Losses.

f) Surplus for the year has changed

This no longer represents funds available for reinvestment. The term 'surplus' now includes capital grants, restricted resources (for example endowments) and unrealised sums valued at a point in time.

g) Unrealised gains/losses on revaluation and pension schemes now included

These amounts, not yet converted to cash, are calculated as at a point in time, using market indices.

h) Comprehensive income lines are new

These represent the net movement during the year between income and expenditure, as well as any unrealised gains, for each reserve.

Restricted funds were previously reported as deferred income on the balance sheet but will now flow to the restricted income and expenditure reserve, this 'ring-fences' restricted income for its intended purpose.

i) Unrestricted comprehensive income for the year

We now believe this to be the most appropriate measure of our performance and sustainability.

Consolidated statement of comprehensive income and expenditure

For the year ended 31 July 2016

	Note	2016		2015	
		Consolidated £'000	University £'000	Consolidated £'000	University £'000
Income					
Tuition fees and education contracts	2	252,493	252,493	221,748	221,748
Funding body grants	3	194,514	194,514	198,858	198,858
Research income	4	253,885	253,885	231,158	231,158
Exceptional item: Research Development Expenditure Credit	4	19,010	19,010	21,868	21,868
Other income	5	163,805	134,947	145,717	120,959
Investment income	6	13,284	13,634	14,599	15,137
Total income before donations and endowments		896,991	868,483	833,948	809,728
Donations and endowments	7	11,474	11,474	12,404	10,174
Total income		908,465	879,957	846,352	819,902
Expenditure					
Staff costs	8	477,889	463,114	494,355	480,215
Other operating expenses	9	313,061	307,907	290,981	282,934
Depreciation	12	40,286	38,650	34,154	32,174
Interest and other finance costs	10	12,757	12,757	11,131	11,131
Total expenditure		843,993	822,428	830,621	806,454
Surplus before other gains and losses					
		64,472	57,529	15,731	13,448
Gain on disposal of fixed assets		518	518	39	39
Gain on investments	14	28,935	28,935	15,880	15,880
Surplus before tax		93,925	86,982	31,650	29,367
Taxation	11	2	-	(3)	-
Exceptional item: tax on Research Development Expenditure Credit	11	(3,932)	(3,932)	(4,953)	(4,953)
Surplus for the year		89,995	83,050	26,694	24,414
Unrealised surplus on revaluation of heritage assets	12	7,240	7,240	29,443	29,443
Actuarial loss in respect of pension schemes	19	(41,053)	(41,053)	(3,199)	(3,199)
Total comprehensive income for the year		56,182	49,237	52,938	50,658

Surplus for the year



Under FRS 102, the composition of our surplus for the year has changed. The surplus for the year now includes income in the year of receipt such as capital grants and donations, provisions for our share of the USS pension scheme deficit recovery plan and a provision for staff holidays earned but not taken. It also includes items previously reported in the Statement of Total Recognised Gains and Losses (STRGL) such as new endowments and unrealised gains on investments.

	Notes	2016		2015	
		Consolidated £'000	University £'000	Consolidated £'000	University £'000
Represented by:					
Unrestricted comprehensive income/(expense) for the year before exceptional items		54	(2,319)	(16,321)	(16,394)
Exceptional items: Research Development Expenditure Credit and tax	4 & 11	15,078	15,078	16,915	16,915
Unrestricted comprehensive income for the year		15,132	12,759	594	521
Endowment comprehensive income for the year	20	28,197	28,197	19,232	19,232
Restricted comprehensive income for the year	21	5,613	1,041	3,669	1,462
Revaluation reserve comprehensive income for the year	22	7,240	7,240	29,443	29,443
		56,182	49,237	52,938	50,658
Surplus for the year attributable to:					
University continuing activities		74,917	67,972	9,779	7,499
Exceptional items: Research Development Expenditure Credit and tax	4 & 11	15,078	15,078	16,915	16,915
		89,995	83,050	26,694	24,414



Unrestricted comprehensive income for the year

We now believe this to be the most appropriate measure of performance and sustainability.

Consolidated and University statement of changes in reserves

For the year ended 31 July 2016

Consolidated

	Income and expenditure account			Revaluation reserve £'000	Total £'000
	Endowment £'000	Restricted £'000	Unrestricted £'000		
Balance at 1 August 2014	295,367	31,706	706,968	777,466	1,811,507
Surplus from the income and expenditure statement	19,232	3,669	3,793	-	26,694
Other comprehensive (expense)/income	-	-	(3,199)	29,443	26,244
Release of restricted funds spent in year	-	-	-	-	-
Total comprehensive income for the year	19,232	3,669	594	29,443	52,938
Transfers between revaluation and income and expenditure reserves	-	-	7,372	(7,372)	-
Balance at 1 August 2015	314,599	35,375	714,934	799,537	1,864,445
Surplus from the income and expenditure statement	28,197	5,613	56,185	-	89,995
Other comprehensive (expense)/income	-	-	(41,053)	7,240	(33,813)
Release of restricted funds spent in year	-	-	-	-	-
Total comprehensive income for the year	28,197	5,613	15,132	7,240	56,182
Transfers between revaluation and income and expenditure reserves	-	-	9,849	(9,849)	-
Balance at 31 July 2016	342,796	40,988	739,915	796,928	1,920,627

University

	Income and expenditure account			Revaluation reserve £'000	Total £'000
	Endowment £'000	Restricted £'000	Unrestricted £'000		
Balance at 1 August 2014	295,367	13,079	697,717	776,105	1,782,268
Surplus from the income and expenditure statement	19,232	1,462	3,720	-	24,414
Other comprehensive (expense)/income	-	-	(3,199)	29,443	26,244
Release of restricted funds spent in year	-	-	-	-	-
Total comprehensive income for the year	19,232	1,462	521	29,443	50,658
Transfers between revaluation and income and expenditure reserves	-	-	7,372	(7,372)	-
Balance at 1 August 2015	314,599	14,541	705,611	798,176	1,832,927
Surplus from the income and expenditure statement	28,197	1,041	53,812	-	83,050
Other comprehensive (expense)/income	-	-	(41,053)	7,240	(33,813)
Release of restricted funds spent in year	-	-	-	-	-
Total comprehensive income for the year	28,197	1,041	12,759	7,240	49,237
Transfers between revaluation and income and expenditure reserves	-	-	9,849	(9,849)	-
Balance at 31 July 2016	342,796	15,582	728,218	795,567	1,882,163

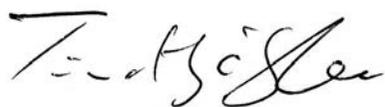
Consolidated and University balance sheet

For the year ended 31 July 2016

	Note	2016		2015	
		Consolidated £'000	University £'000	Consolidated £'000	University £'000
Non-current assets					
Fixed assets	12	1,493,042	1,466,024	1,399,019	1,370,797
Heritage assets	12 & 13	212,143	212,143	204,601	204,601
Investments	14	470,762	490,271	327,126	347,962
		2,175,947	2,168,438	1,930,746	1,923,360
Current assets					
Stock		3,371	2,561	2,735	1,992
Trade and other receivables	15	134,076	122,416	119,517	112,368
Investments	16	218,062	215,000	120,000	120,000
Cash and cash equivalents	23	175,783	149,766	252,735	226,158
		531,292	489,743	494,987	460,518
Creditors: amounts falling due within one year	17	(276,232)	(266,238)	(252,412)	(242,675)
Net current assets		255,060	223,505	242,575	217,843
Total assets less current liabilities					
		2,431,007	2,391,943	2,173,322	2,141,204
Creditors: amounts falling due after more than one year	18	(256,692)	(256,092)	(93,185)	(92,585)
Pension provisions	19	(253,688)	(253,688)	(215,692)	(215,692)
Total net assets		1,920,627	1,882,163	1,864,445	1,832,927

	Notes	2016		2015	
		Consolidated £'000	University £'000	Consolidated £'000	University £'000
Restricted reserves					
Income and expenditure reserve - endowment reserves	20	342,796	342,796	314,599	314,599
Income and expenditure reserve - restricted reserves	21	40,988	15,582	35,375	14,541
Unrestricted reserves					
Income and expenditure reserve - unrestricted reserves		739,915	728,218	714,934	705,611
Revaluation reserve	22	796,928	795,567	799,537	798,176
Total reserves		1,920,627	1,882,163	1,864,445	1,832,927

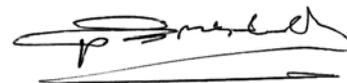
The financial statements on pages 56 to 101 were adopted by Court on 5 December 2016 and were signed on its behalf by:



Professor Sir Timothy O'Shea
Principal and Vice-Chancellor



Ms Anne Richards
Vice-Convenor of Court



Mr Phil McNaull
Director of Finance

Consolidated statement of cash flow

For the year ended 31 July 2016

	Note	2016 £'000	2015 £'000
Cash flow from operating activities			
Surplus for the year		89,995	26,694
Adjustments for non-cash items			
Depreciation	12	40,286	34,154
Donated assets	13	(76)	-
Impairment	14	223	4,064
Gain on investments	14	(28,935)	(15,880)
Increase in pension provision	19	11,280	48,433
Adjustments for working capital items			
Increase in stock		(636)	(49)
Increase in debtors	15	(13,749)	(14,440)
Increase in creditors and accruals	17 & 18	26,762	2,798
Adjustments for investing or financing activities			
Investment income	6	(13,284)	(14,599)
Interest payable	10	12,412	11,245
New endowments received	20	(4,427)	(2,008)
Profit on the sale of fixed assets		(518)	(39)
Capital grant income		(33,337)	(16,544)
Net cash inflow from operating activities		85,996	63,829
Cash flows from fixed asset investing activities			
Proceeds from sales of fixed assets		1,325	1,071
Capital grants receipts		33,337	16,544
Payments made to acquire fixed assets		(129,688)	(95,112)
Cash flows from other investing activities			
Investment income	6	12,474	14,282
Disposal of non-current asset investments	14	54,349	1,057
Payments made to acquire non-current asset investments	14	(169,273)	(7,246)
New deposits	16	(98,062)	90,381
Lump sum pension contribution to EUSBS	19	(20,000)	-
New endowment cash received	20	4,427	2,008
Net cash (outflow)/inflow from investing activities		(311,111)	22,985
Cash flows from financing activities			
Interest element of finance lease payments	10	(145)	(271)
New unsecured loans	18	167,000	-
Repayments of amounts borrowed	18	(13,299)	(2,439)
Interest paid	19	(5,237)	(5,324)
Capital element of finance lease payments		(156)	(140)
Net cash inflow/(outflow) from financing activities		148,163	(8,174)
(Decrease)/increase in cash and cash equivalents in the year		(76,952)	78,640
Cash and cash equivalents at beginning of the year	23	252,735	174,095
Cash and cash equivalents at end of the year	23	175,783	252,735

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 asset and investments).

The financial statements have been prepared on a going concern basis. Court consider 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 that they are well placed to manage its business risks despite the ongoing changes in sector funding.

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 31.

Basis of consolidation

The consolidated financial statements include the University and all its subsidiaries for the financial year to 31 July 2016. 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. Intra-group 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 accounts do not include the income and expenditure of the University of Edinburgh Students' Association as it is a separate charity in which the University does not exert control or dominant influence over policy decisions.

Associated companies and joint ventures 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 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.

Non-exchange transactions without performance-related conditions are donations and endowments. 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 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 on a receivable basis.

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.

Notes to the financial statements

(continued)

1. STATEMENT OF PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

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

Accounting for retirement benefits

The two principal pension schemes for the University's staff are the Universities Superannuation Scheme (USS) and the University of Edinburgh Staff Benefits Scheme (EUSBS). Other smaller legacy schemes include the Medical Research Council (MRCPS), Lothian Pension Fund (LPF) and the Strathclyde Pension Fund (SPF), Scottish Teacher Superannuation Scheme (STSS) and National Employment Savings Trust (NEST). With the exception of NEST, the schemes are defined benefit schemes, which are externally funded and, until 5 April 2016 under the old State Pension rules, contracted out of the State Second Pension (S2P). From 6 April 2016, employees are no longer able to contract out. Each fund is valued every three years by professionally qualified independent actuaries.

A liability is recorded within provisions for contractual commitment to fund past deficits within the defined benefit schemes where it is possible to identify the University share of the assets and liabilities of the scheme or the University share of any deficit recovery for which the University is liable. Due to the nature of the MRCPS and STSS schemes it is not possible to identify the University share in the assets and liabilities of these schemes and they are accounted for as defined contribution retirement benefit schemes.

The University also contributes to the National Employment Savings Trust Scheme (NEST), a defined contribution pension scheme. 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 company 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 income statement 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 plans

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 of 31 July 2016, are accrued and measured as the additional amount the University expects to pay as a result of the unused entitlements.

Finance leases

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

Minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Operating leases

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

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on consolidation, are translated to the Group's presentational currency, Sterling, at the foreign exchange rates ruling at the balance sheet date. The revenues and expenses of foreign operations are translated at an average rate for the year where this rate approximates to the foreign exchange rates ruling at the dates of the transactions. Exchange differences arising from this translation of foreign operations are reported as an item of other comprehensive income.

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 Messers Gerald Eve, an independent firm of chartered surveyors on 1 August 2014. The land and building assets that had been revalued to fair value prior to the date of transition to SORP, are measured on the basis of deemed cost, being the revalued amount at the date of that revaluation.

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

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 income and expenditure account. 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 with the exception of certain new furniture. 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, 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 and conserves a number of collections, exhibits, artefacts and other assets of historical, artistic or scientific importance. Heritage assets acquired before 1 August 1999 have not been capitalised since reliable estimates of cost or value are not available on a cost-benefit basis. 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.

Investments

The University of Edinburgh Investment and Endowment Fund which holds endowment and general fund investments continues 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.

Notes to the financial statements

(continued)

1. STATEMENT OF PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

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.

Transition to SORP

The University is preparing its financial statements in accordance with FRS 102 for the first time and consequently has applied the first-time adoption requirements. An explanation of how the transition to SORP 2015 has affected the reported financial position, financial performance and cash flows of the consolidated results of the University is provided in note 33.

Application of first-time adoption grants certain exemptions from the full requirements of SORP 2015 in the transition period. The following exemption has been taken into these financial statements:

Fair value or revaluation as deemed cost - at 1 August 2015, fair value has been used for deemed cost for properties measured at fair value.

Taxation status

The University is an exempt charity within the meaning of the Trustee Investment and Charities (Scotland) Act 2005 and, as such, is a charity within the meaning of Section 506(1) of the Income and Corporation Taxes Act 1988. The University is recognised as a charity by HM Revenue & Customs and is recorded on the index of charities maintained by the Office of the Scottish Charity Regulator (Charity No. SC005336). Accordingly, the University is potentially exempt from taxation in respect of income or capital gains received within categories covered by Section 505 of the Taxes Act 1988 or Section 256 of the Taxation of Chargeable Gains Act 1992 to the extent that such income or gains are applied to exclusively charitable purposes. 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:

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

The amount recognised as a provision is determined by discounting the expected future cash flows at a pre-tax 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. TUITION FEES AND EDUCATION CONTRACTS

	Consolidated and University	
	2016	2015
	£'000	£'000
Home & EU	52,267	51,718
Rest of UK (RUK) (new fee rate)	50,446	36,243
Non-EU fees	131,461	115,060
Research training support grants	13,690	14,761
Short course and other fees and support grants	4,629	3,966
	252,493	221,748

3. FUNDING BODY GRANTS

	Consolidated and University	
	2016	2015
	£'000	£'000
SFC recurrent grants		
Teaching	67,669	72,489
Research	92,389	100,896
SFC specific grants		
Infrastructure grants for research, teaching and learning	20,169	13,171
Other including research pooling	14,287	12,302
	194,514	198,858

Notes to the financial statements

(continued)

4. RESEARCH INCOME

	Consolidated and University	
	2016 £'000	2015 £'000
Research grants and contracts		
Research Councils	121,061	114,819
UK based charities	49,736	46,095
UK central government bodies, local and health authorities	22,845	17,423
UK industry, commerce and public corporations	8,405	7,499
EU government bodies	29,642	26,381
EU other	2,896	2,883
Other overseas	7,972	7,249
Other sources	11,328	8,809
Total research grants and contracts	253,885	231,158
Research exceptional income		
Research and Development Expenditure Credit (RDEC)	19,010	21,868
	272,895	253,026

The figures for research income include the University's share of the research activity of the Scottish Universities Environmental Research Centre (SUERC), a joint activity with the University of Glasgow.

Research capital grants of £1,403,000 were received during the year.

Research exceptional income

This exceptional item relates to a claim in respect of Research and Development Expenditure Credits (RDEC) for the period 1 August 2014 to 31 July 2015 and an additional claim for the period 1 August 2013 to 31 July 2014. The RDEC income is stated gross of Corporation Tax of £3,932,000 (see note 11).

5. OTHER INCOME

	2016		2015	
	Consolidated £'000	University £'000	Consolidated £'000	University £'000
Residences, catering and conferences	62,821	47,601	54,574	39,452
Specific grants, donations and other designated income:				
Academic and related activities	26,195	26,195	26,048	26,048
Academic services and support activities	5,241	2,331	2,897	2,208
Information systems grants	3,600	3,600	4,928	4,928
General income:				
Academic and related activities	39,394	39,394	30,566	30,566
Income generating, academic services and support activities	26,554	15,826	26,704	17,757
	163,805	134,947	145,717	120,959

6. INVESTMENT INCOME

	Note	2016		2015	
		Consolidated £'000	University £'000	Consolidated £'000	University £'000
Income from expendable endowments	20	6,170	6,170	6,733	6,733
Income from permanent endowments	20	2,988	2,988	3,756	3,756
Other investment income		1,021	1,021	490	490
Other interest receivable		3,105	3,455	3,620	4,158
		13,284	13,634	14,599	15,137

7. DONATIONS AND ENDOWMENTS

	Note	2016		2015	
		Consolidated £'000	University £'000	Consolidated £'000	University £'000
New endowments	20	4,428	4,428	2,008	2,008
Donations with restrictions	21	5,523	5,523	10,396	8,166
Unrestricted donations		1,523	1,523	-	-
		11,474	11,474	12,404	10,174

Notes to the financial statements

(continued)

8. STAFF COSTS

	2016		2015	
	Consolidated £'000	University £'000	Consolidated £'000	University £'000
Salaries	354,587	341,098	342,659	330,063
Social security costs	30,133	29,528	27,381	26,775
Pension costs (note 30)	81,044	80,363	75,430	74,692
Movement on USS pension provision	9,975	9,975	46,527	46,527
Other unfunded pension costs	60	60	837	837
Severance costs	2,090	2,090	1,521	1,321
	477,889	463,114	494,355	480,215
Analysis of the above costs by activity:				
Academic and related support	253,303	253,303	242,354	242,354
Research grants and contracts	105,775	105,775	103,013	103,013
Library, computer and other academic support services	27,406	27,406	27,611	27,611
Administration and central services	37,444	37,444	32,657	32,657
Premises	20,301	20,301	19,276	19,276
Other including income-generating operations	7,984	-	7,387	-
Residences and catering operations	13,936	7,145	12,778	6,025
Unfunded pensions	60	60	837	837
Pension service costs and USS provision in excess of scheme contributions payable (note 30)	11,680	11,680	48,442	48,442
	477,889	463,114	494,355	480,215

The University of Edinburgh is committed to a policy of equal opportunities for disabled staff and students and aims to create an environment enabling staff to participate fully in University life. Wherever practical the University policy in relation to disabled staff 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;
- Commit to creating an accessible and welcoming working environment, including using both internal and external services and support for potential and current staff.

3.1% (31 July 2015: 2.7%) of our staff have declared that they have a disability.

	2016		2015	
	Consolidated	University	Consolidated	University
Staff numbers (expressed as average full time equivalents during the year) were as follows:				
Academic	2,608	2,608	2,550	2,550
Research academic	1,599	1,599	1,496	1,496
Support group management and specialist	1,539	1,539	1,524	1,524
Academic management and specialist	1,516	1,516	1,500	1,500
Technical and trades	1,680	1,680	1,566	1,566
Research management and specialist	485	485	466	466
Other	288	130	374	201
	9,715	9,557	9,476	9,303
Staff on open-ended contracts	6,862	6,737	6,716	6,582
Staff on fixed-term contracts	2,507	2,474	2,432	2,393
Staff on guaranteed hours contracts	346	346	328	328
	9,715	9,557	9,476	9,303

	2016		2015	
	Consolidated	University	Consolidated	University
Staff numbers (expressed as an average employee count) were as follows:				
Staff on open-ended contracts	7,816	7,661	7,540	7,398
Staff on fixed-term contracts	2,902	2,867	2,822	2,782
Staff on guaranteed hours contracts	2,886	2,886	2,688	2,688
	13,604	13,414	13,050	12,868
Percentage of staff on fixed-term contracts	21.33%	21.37%	21.62%	21.62%

Notes to the financial statements

(continued)

8. STAFF COSTS (continued)

Senior post holders

Remuneration of higher paid staff, including NHS merit awards, but excluding employer's pension contributions and termination payments, fell within the following ranges:

	2016 number	2015 number
£100,000–£109,999	44	44
£110,000–£119,999	33	32
£120,000–£129,999	19	26
£130,000–£139,999	27	14
£140,000–£149,999	15	17
£150,000–£159,999	11	10
£160,000–£169,999	8	9
£170,000–£179,999	9	13
£180,000–£189,999	12	8
£190,000–£199,999	4	5
£200,000–£209,999	6	6
£210,000–£219,999	2	2
£220,000–£229,999	2	4
£230,000–£239,999	3	5
£240,000–£249,999	4	2
£250,000–£259,999	1	1
£260,000–£269,999	1	-
£290,000–£299,999	2	-
	203	198

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

54% (2014/15: 55%) of senior post holders are clinical academics.

Key management personnel

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

	2016 £'000	2015 £'000
Key management personnel compensation	1,594	1,661

	2016 number	2015 number
Number of posts included in key management personnel	9	9

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

Compensation for loss of office

Compensation for loss of office exceeding £100,000 or payable to key management personnel and senior post-holders earning in excess of £100,000:

	2016 £'000	2015 £'000
Compensation payable to senior post holders	82	148
Other compensation paid in excess of £100,000	270	-
	352	148

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

Compensation payable to key management personnel included in the above figure for the year was nil (2015: nil).

Compensation was payable to three (2015: one) senior post holders during the year. Other compensation payable in excess of £100,000 comprised the cost of enhancing pension benefits for two other staff during the year (2015: nil) of which £208,000 was funded through an agreement with the Medical Research Council.

No compensation was payable to key management personnel during the year (2015: 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.

Emoluments of the Principal

	2016 £'000	2015 £'000
Remuneration	251	230
Lump sum award	15	-
Benefits in kind	2	2
Employee's pension contributions	-	18
Contractual remuneration	268	250
Employer's life cover and pension contributions	2	36
Payment in lieu of employer's pension contribution	31	3
	301	289

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. 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.

The Principal was awarded and accepted a 1% (2014/15: 2%) increase in basic salary in line with the JNCHES national pay award received by the majority of University staff. The Principal also accepted a contractual lump sum award which he has chosen not to receive in previous years.

The median basic salary for Heads of Russell Group institutions in the most recent UCEA Senior staff remuneration survey is £275,940 per annum.

Employer pension contributions to the Principal ceased part way through 2015 due to the Principal opting out of the pension scheme part way through the year. Additional payments equivalent to the pension contributions foregone are included within emoluments.

Notes to the financial statements

(continued)

9. OTHER OPERATING EXPENSES

	2016		2015	
	Consolidated £'000	University £'000	Consolidated £'000	University £'000
Academic and related expenditure	83,953	83,941	80,431	80,431
Research grants and contracts	96,470	96,470	79,735	79,735
Library, computer and other academic support services	11,835	11,727	9,888	9,845
Administration and central services	30,761	30,761	26,399	26,399
Premises including:				
Refurbishment and maintenance	19,618	19,290	21,298	20,998
Other premises costs	23,694	26,537	29,592	31,192
Other including income generating operations	12,318	11,033	12,678	9,716
Residences and catering operations	34,412	28,148	30,960	24,618
	313,061	307,907	290,981	282,934
Other operating expenses include:				
Agency staff costs	4,376	4,095	2,917	2,677
Operating lease rentals:				
Land and buildings	14,476	14,295	9,081	8,900
Other	1,107	1,028	981	888
Fees charged by external auditors:				
Audit of these financial statements	78	78	72	72
Audit of financial statements of subsidiaries pursuant to legislation (including Andrew Grant Bequest)	58	-	51	-
Non-audit services	110	110	350	350

10. INTEREST AND OTHER FINANCE COSTS

	Notes	Consolidated and University	
		2016 £'000	2015 £'000
Loan interest		6,604	5,304
Finance lease interest	14	145	156
Net charge on pension scheme	30	6,008	5,671
		12,757	11,131

11. TAXATION

	2016		2015	
	Consolidated £'000	University £'000	Consolidated £'000	University £'000
Recognised in the statement of comprehensive income				
Current tax:				
UK Corporation tax charge on subsidiaries' profits	(2)	-	3	-
Exceptional item: tax on RDEC income	3,932	3,932	4,953	4,953
	3,930	3,932	4,956	4,953

The exceptional item relates to tax payable on the Research and Development Expenditure Credit (RDEC) of £19,010,000 included in University research income receivable (Note 4) as at 31 July 2016 and included in the tax surplus of the University for the years ending 31 July 2014 and 2015. This provision for tax of £3,932,000 is a non-cash item and the net exceptional £15,078,000 research income receivable from HMRC in respect of RDEC is included in debtors (note 15) at 31 July 2016.

UK Corporation tax at 20.7% (2015: 22.7%)

Notes to the financial statements

(continued)

12. FIXED ASSETS

Consolidated

	Land and buildings £'000	Fixtures, fittings and equipment £'000	Total £'000	Heritage assets £'000	Total including heritage assets £'000
Cost or valuation					
As at 1 August 2015	1,386,005	152,583	1,538,588	204,601	1,743,189
Additions	113,898	21,218	135,116	302	135,418
Surplus on revaluation	-	-	-	7,240	7,240
Disposals	(748)	(5,108)	(5,856)	-	(5,856)
As at 31 July 2016	1,499,155	168,693	1,667,848	212,143	1,879,991
Accumulated depreciation					
As at 1 August 2015	19,960	119,609	139,569	-	139,569
Charge for the year	23,969	16,317	40,286	-	40,286
Disposals	(33)	(5,016)	(5,049)	-	(5,049)
As at 31 July 2016	43,896	130,910	174,806	-	174,806
Net book value					
As at 31 July 2016	1,455,259	37,783	1,493,042	212,143	1,705,185
As at 31 July 2015	1,366,045	32,974	1,399,019	204,601	1,603,620

At 31 July 2016, land and buildings included £32,231,605 (2015: £7,260,000) in respect of buildings under construction.

During the year a subsidiary of the University continued construction on the Holyrood Combined Heat and Power facilities.

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

Gains on disposal of land and building fixed assets amounted to £518,374 (2015: £39,135).

Certain land and buildings have been partly financed from Exchequer Funds. Funding body grants of £20,169,000 recognised as income in the year relates to additional exchequer funding of land and buildings. Should any of these assets be sold the University may be liable, under the terms of the Financial Memorandum with the Scottish Funding Council, to surrender part of the proceeds.

University

	Land and buildings £'000	Fixtures, fittings and equipment £'000	Total £'000	Heritage assets £'000	Total including heritage assets £'000
Cost or valuation					
As at 1 August 2015	1,364,440	133,298	1,497,738	204,601	1,702,339
Additions	113,532	21,152	134,684	302	134,986
Surplus on revaluation	-	-	-	7,240	7,240
Disposals	(748)	(5,108)	(5,856)	-	(5,856)
As at 31 July 2016	1,477,224	149,342	1,626,566	212,143	1,838,709
Accumulated depreciation					
As at 1 August 2015	19,092	107,849	126,941	-	126,941
Charge for the year	23,158	15,492	38,650	-	38,650
Disposals	(33)	(5,016)	(5,049)	-	(5,049)
As at 31 July 2016	42,217	118,325	160,542	-	160,542
Net book value					
As at 31 July 2016	1,435,007	31,017	1,466,024	212,143	1,678,167
As at 31 July 2015	1,345,348	25,449	1,370,797	204,601	1,575,398

At 31 July 2016, freehold land and buildings included £87,760,868 (2015: £86,795,599) in respect of freehold land and is not depreciated.

At 31 July 2016, land and buildings included £30,407,856 (2015: £5,934,000) in respect of buildings under construction.

During the year significant additional property acquired included the Surgical Wing of the Old Royal Infirmary at Quartermile, Holyrood Outreach Centre, Murchison House at the Kings Buildings, Library and collection warehousing previously leased and an additional site at BioQuarter, Little France, for a new research building. Major reconstruction was undertaken on many buildings including recladding Appleton Tower and the redevelopment of the McEwan Hall. Construction also continued on new buildings including the Meadow Lane student accommodation, the Edinburgh Data Technology Centre, the new Easter Bush Centre and advanced Combined Heat and Power facility. Design and enabling work for the Institute of Repair & Regeneration at Little France and new Biological Sciences facilities at the Kings Buildings also progressed.

There is a standard security over various properties belonging to the University which has been granted as part of a loan arrangement, and further standard securities have been granted over certain properties in favour of the University of Edinburgh Staff Benefits Scheme as part of a pension funding guarantee arrangement.

The net book value of tangible fixed assets includes an amount of £2,357,622 (2015: £2,383,643) of buildings, fixtures and fittings held under finance leases. The depreciation charge on these assets for the year was £31,021 (2015: £28,356).

Notes to the financial statements

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13. HERITAGE ASSETS

Main collections

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

Collection	Method valuation	Valuation undertaken by	Information on qualifications of collection valuers can be found at
Rare Books, Archives and Manuscripts	External	Bernard Quaritch Ltd	www.quaritch.com
		McNaughtan's	www.mcnaughtans.co.uk
Museum collections (Information Services):			
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
Museum collections (Colleges):			
Cockburn Museum of Geology	Internal	Dr John Scally	
Natural History Collections	Internal	Prof Mark Blaxter & Prof Graham Stone	
School of Chemistry	Internal	Dr John Scally	www.ed.ac.uk/schools-departments/information-services/services/library-museum-gallery/museums-and-galleries
Classics Teaching Collection	Internal	Prof Ben Harte & Dr Sue Rigby, School of Geosciences	
Polish School of Medicine Historical Collections	Internal	Dr Maria Dlugolecka-Graham	

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. In light of the recent external valuation an uplift was not applied to the collections in the current year.

A valuation of Special Collection items held in remote storage, not included in the prior year's valuation, was undertaken in the 2016. This has been reflected in the financial statements.

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 users of the financial statements.

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 users of the financial statements. Donated assets that are capitalised are reported in income and expenditure at valuation.

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

	2012 £'000	2013 £'000	2014 £'000	2015 £'000	2016 £'000
Acquisitions purchased with specific donations	-	-	-	-	67
Acquisition of ECA	2,460	-	-	-	-
Acquisitions purchased with University funds	-	-	1,300	-	159
Total cost of acquisitions purchased	2,460	-	1,300	-	226
Value of acquisitions by donation	-	-	-	-	76
Total acquisitions capitalised	2,460	-	1,300	-	302

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

14. NON-CURRENT INVESTMENTS

Consolidated

	Endowment and Investment Fund £'000	Other fixed assets investments £'000	Total £'000
As at 1 August 2015	326,214	912	327,126
Additions	84,266	85,007	169,273
Disposals	(1,286)	(53,000)	(54,286)
Loans repaid	-	(63)	(63)
Appreciation	26,462	2,473	28,935
Impairment	-	(223)	(223)
As at 31 July 2016	435,656	35,106	470,762
Non-current investments consist of:			
The University of Edinburgh Endowment and Investment fund	435,656	34,627	470,283
Edinburgh University Press Ltd (intellectual property)	-	129	129
Unlisted investments	-	350	350
	435,656	35,106	470,762

Notes to the financial statements

(continued)

14. NON-CURRENT INVESTMENTS (continued)

University	Subsidiary companies £'000	Endowment and Investment fund £'000	Other fixed assets investments £'000	Total £'000
As at 1 August 2015	21,538	326,214	210	347,962
Additions	-	84,266	85,007	169,273
Disposals	-	(1,286)	(53,000)	(54,286)
Loans advanced	820	-	-	820
Loans repaid	(1,200)	-	(63)	(1,263)
Appreciation	-	26,462	2,473	28,935
Impairment	(1,170)	-	-	(1,170)
As at 31 July 2016	19,988	435,656	34,627	490,271
Non-current investments consist of:				
The University of Edinburgh Endowment and Investment fund portfolio				
Equities – other	-	254,329	-	254,329
Fixed interest stocks	-	43,233	-	43,233
Property	-	88,523	-	88,523
Multi asset type	-	39,922	-	39,922
Venture capital	-	2,928	-	2,928
Bank deposits held at fund managers	-	1,797	-	1,797
Bank deposits held by the University	-	4,923	-	4,923
Other investments				
Absolute returns funds	-	-	34,479	34,479
Loan to Edinburgh University Student Association	-	-	66	66
Other	-	-	82	82
Investment in subsidiary companies				
Edinburgh University Press Ltd	357	-	-	357
University of Edinburgh Deaconess Ltd	11,381	-	-	11,381
Loans to subsidiary companies				
UoE Utilities Supply Company Ltd	7,700	-	-	7,700
Old College Capital LLP	350	-	-	350
Sunergos Innovations Ltd	200	-	-	200
	19,988	435,656	34,627	490,271

15. TRADE AND OTHER RECEIVABLES

	2016		2015	
	Consolidated £'000	University £'000	Consolidated £'000	University £'000
Amounts falling due within one year:				
Research grants receivables	68,441	68,441	63,489	63,489
Other trade receivables	54,123	42,198	42,144	33,071
Prepayments and accrued income	11,512	10,554	13,884	12,517
Amounts due from subsidiary companies	-	1,223	-	3,291
	134,076	122,416	119,517	112,368

16. CURRENT INVESTMENTS

	2016		2015	
	Consolidated £'000	University £'000	Consolidated £'000	University £'000
Short-term deposits	218,062	215,000	120,000	120,000

17. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2016		2015	
	Consolidated £'000	University £'000	Consolidated £'000	University £'000
Unsecured loans	3,264	3,264	13,272	13,272
Obligations under finance leases	201	201	156	156
Trade payables	48,445	42,497	36,744	32,465
Social security and other taxation payable	9,631	9,404	9,586	9,553
Accruals and deferred income	214,691	209,563	192,654	187,229
Amounts due to subsidiary companies	-	1,309	-	-
	276,232	266,238	252,412	242,675

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.

	2016		2015	
	Consolidated £'000	University £'000	Consolidated £'000	University £'000
Accruals	45,823	45,823	29,762	29,762
Donations and other restricted income deferred	27,953	27,953	26,903	26,903
Research grants received on account	113,102	113,102	116,097	116,097
Estates capital grants deferred	8,412	8,412	1,616	1,616
Other income deferred	19,401	14,273	18,276	12,851
	214,691	209,563	192,654	187,229

Notes to the financial statements

(continued)

18. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	Note	2016		2015	
		Consolidated £'000	University £'000	Consolidated £'000	University £'000
Obligations under finance leases		1,031	1,031	1,232	1,232
Unsecured loans		254,549	254,549	90,841	90,841
Other creditors		1,112	512	1,112	512
		256,692	256,092	93,185	92,585

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

	Note	2016		2015	
		Consolidated £'000	University £'000	Consolidated £'000	University £'000
Obligations under finance leases are due as follows:					
Due within one year	17	201	201	156	156
Due between two and five years		1,031	1,031	936	936
Due in five years or more		-	-	296	296
		1,232	1,232	1,388	1,388

	Note	2016		2015	
		Consolidated £'000	University £'000	Consolidated £'000	University £'000
Unsecured bank loans are repayable as follows:					
Due within one year	17	3,264	3,264	13,272	13,272
Due between two and five years		14,506	14,506	11,131	11,131
Due in five years or more		240,043	240,043	79,710	79,710
		257,813	257,813	104,113	104,113

Unsecured loans outstanding at 31 July 2016 were as follows:

Lender	Amount £'000	Repayable	Interest rate %	Borrower
Prudential plc	30,000	2026-2030	6.98	University
The Royal Bank of Scotland plc	7,470	2017-2037	0.2% above base	University
European Investment Bank	46,629	2017-2036	4.105	University
Lloyds Bank plc	6,714	2017-2036	5.89	University
Private Placements repayable in 20 years*	40,000	2036	3.20	University
Private Placements repayable in 25 years*	40,000	2041	3.38	University
Private Placements repayable in 30 years*	20,000	2046	3.46	University
European Investment Bank**	67,000	2021-2046	2.105	University
	257,813			

*During the year 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 was also granted a further £200 million loan facility by the European Investment Bank of which £67 million was drawn down during the year.

The total of new unsecured loans in 2015/16 was £167 million.

19. PROVISIONS FOR LIABILITIES

Consolidated and University

	Obligation to fund deficit on USS Pension £'000	Pension enhancement on termination £'000	Unfunded pension provision £'000	Funded pension scheme provision £'000	Total £'000
As at 1 August 2015	93,766	8,224	1,346	112,356	215,692
Utilised in year	(3,577)	(600)	(146)	(12,269)	(16,592)
Additions in year	13,553	-	-	13,974	27,527
Additional contributions paid by the University	-	-	-	(20,000)	(20,000)
Interest in year	1,717	296	49	3,946	6,008
Actuarial (gain)/loss in respect of pension schemes	-	(530)	261	41,322	41,053
As at 31 July 2016	105,459	7,390	1,510	139,329	253,688

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 30: 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

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20. ENDOWMENT RESERVES

Consolidated and University

	Permanent unrestricted endowments £'000	Permanent restricted endowments £'000	Expendable restricted endowments £'000	2016 total £'000	2015 total £'000
Capital	4,884	95,323	170,128	270,335	255,541
Accumulated income	-	12,671	31,593	44,264	39,826
As at 1 August	4,884	107,994	201,721	314,599	295,367
New endowments	-	2,200	2,227	4,427	2,008
Investment income	142	2,847	6,170	9,159	10,489
Expenditure	(142)	(2,118)	(4,779)	(7,039)	(8,532)
Increase in market value of investments	329	7,293	14,028	21,650	15,267
	329	10,222	17,646	28,197	19,232
Transfers	2	(3,015)	3,013	-	-
As at 31 July	5,215	115,201	222,380	342,796	314,599
Represented by:					
Capital	5,215	104,215	183,512	292,942	270,335
Accumulated income	-	10,986	38,868	49,854	44,264
	5,215	115,201	222,380	342,796	314,599
Analysis by type of purpose:					
Chairs and lectureships	-	47,644	66,258	113,902	100,996
Prizes and scholarships	-	43,078	49,527	92,605	105,418
Other	5,215	24,479	106,595	136,289	108,185
	5,215	115,201	222,380	342,796	314,599
Non-current asset investments:					
Equities	3,037	67,049	129,430	199,516	195,379
Fixed interest stocks	991	21,924	42,319	65,234	41,881
Property	1,057	23,337	45,051	69,445	68,179
Venture capital	35	772	1,490	2,297	1,298
Bank deposits held at fund managers	83	1,844	3,560	5,487	6,490
Bank deposits held by the University	(3)	(72)	(140)	(215)	(54)
Non-current asset investments	5,200	114,854	221,710	341,764	313,173
Cash balances held by the University	(19)	(412)	(795)	(1,226)	(865)
Current asset - working capital	34	759	1,465	2,258	2,291
Total endowment assets	5,215	115,201	222,380	342,796	314,599

21. RESTRICTED RESERVES

Reserves with restrictions are as follows:

Consolidated

	2016 total £'000	2015 total £'000
Balances at 1 August	35,375	31,706
New donations and grants receivable	11,182	9,216
Expenditure	(5,569)	(5,547)
Balances at 31 July	40,988	35,375
Closing reserves comprise the following funds:		
Donations	13,368	12,912
Other grants	2,214	1,629
Funds held at University of Edinburgh Development Trust	25,406	20,834
	40,988	35,375

University

	2016 total £'000	2015 total £'000
Balances at 1 August	14,541	13,079
New donations and grants receivable	6,610	7,009
Expenditure	(5,569)	(5,547)
Balances at 31 July	15,582	14,541

22. REVALUATION RESERVES

Consolidated

	Land and buildings £'000	Heritage assets £'000	2016 total £'000	2015 total £'000
Balances at 1 August	598,997	200,540	799,537	777,466
Revaluation in year	-	7,240	7,240	29,443
Revaluation depreciation in year	(8,093)	-	(8,093)	(7,197)
Revaluation realised on disposal	(1,756)	-	(1,756)	(175)
Balances at 31 July	589,148	207,780	796,928	799,537

University

	Land and buildings £'000	Heritage assets £'000	2016 total £'000	2015 total £'000
Balances at 1 August	597,636	200,540	798,176	776,105
Revaluation in year	-	7,240	7,240	29,443
Revaluation depreciation in year	(8,093)	-	(8,093)	(7,197)
Revaluation realised on disposal	(1,756)	-	(1,756)	(175)
Balances at 31 July	587,787	207,780	795,567	798,176

Notes to the financial statements

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23. CASH AND EQUIVALENTS

Consolidated	As at 1 August 2015 £'000	Cash flows £'000	As at 31 July 2016 £'000
Cash and cash equivalents	252,735	(76,952)	175,783

University	As at 1 August 2015 £'000	Cash flows £'000	As at 31 July 2016 £'000
Cash and cash equivalents	226,158	(76,392)	149,766

24. CAPITAL AND OTHER COMMITMENTS

	2016		2015	
	Consolidated £'000	University £'000	Consolidated £'000	University £'000
Commitments contracted for at 31 July	141,577	141,560	83,701	83,176
	141,577	141,560	83,701	83,176

25. CONTINGENT LIABILITIES

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

26. LEASE OBLIGATIONS

Total rentals payable under operating leases:

	2016			2015 total £'000
	Land and buildings £'000	Other leases £'000	Total £'000	
Payable during the year	14,973	1,106	16,079	7,716
Future minimum lease payments due:				
Not later than 1 year	10,004	1,034	11,038	15,751
Later than 1 year and not later than 5 years	19,174	2,617	21,791	25,372
Later than 5 years	47,575	-	47,575	41,238
Total lease payments due	76,753	3,651	80,404	82,361

27. EVENTS AFTER THE REPORTING PERIOD

There has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the Court, to affect significantly the operations of the Group, the results of those operations, or the state of affairs of the Group in subsequent financial years.

28. SUBSIDIARY UNDERTAKINGS

Subsidiary undertakings comprise companies registered in Scotland as follows:

Edinburgh Research and Innovation Limited

The University owns 100 per cent of the issued share capital of Edinburgh Research and Innovation 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.

Edinburgh Technology Transfer Centre Limited

The University is the only member of the Company which is limited by guarantee. The City of Edinburgh Council resigned its membership of the company on 27 August 2015. In the event of the winding up of the Company, the liability of the members is limited to £1 each. The company was dormant in the year to 31 July 2016.

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.

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's principal activity is the provision and operation of wavetank facilities for the testing of marine energy and other devices in simulated wave and tidal current conditions.

Old College Capital LLP

The University is the sole limited partner of Old College Capital LLP. The main purposes of the partnership include making early and mid-stage investments into selected companies that emerge from the University.

Research into Results Limited

The University owns 100 per cent 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.

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 No SC004307. The trust is classed as a "quasi-subsiary" 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 fundraiser 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-subsiary" 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.

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.

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 and the Hong Kong Centre for Carbon Innovation Limited.

Associated undertakings include the following:

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.

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

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29. 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 subsidiary undertakings in these consolidated financial statements; the others are not included in the consolidation since the University does not have control over their activities.

The movements in the year on the total funds of all connected institutions, as reported in their own accounts, were as follows:

	Opening balance £'000	Income £'000	Expenditure £'000	Change in market value £'000	Closing balance £'000
Consolidated					
University of Edinburgh Development Trust (Scottish Charity No. SC004307)	590	1,112	(1,419)	-	283
Edinburgh University Press Limited (Scottish Charity No. SC035813)	1,641	2,861	(2,822)	-	1,680
The Andrew Grant Bequest (Scottish Charity No. SC001097)	3,985	122	(126)	279	4,260
	6,216	4,095	(4,367)	279	6,223

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

	Opening balance £'000	Income £'000	Expenditure £'000	Change in market value £'000	Closing balance £'000
Not consolidated					
Edinburgh University Students Association* (Scottish Charity No. SC015800)	(91)	11,748	(11,441)	-	216
Edinburgh University Sports Union (Scottish Charity No. SC009248)	174	754	(751)	-	177
	83	12,502	(12,192)	-	393

* Note the Edinburgh University Students Association figures are at 31 March 2016, which is in line with their reporting year end.

30. 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 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 it is not possible to identify the University's share of the assets for these schemes on a consistent basis. These schemes are accounted for as though they were defined contribution schemes and as a result the costs charged to the income and expenditure account 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 in the income and expenditure account.

The EUSBS, SPF and LPF schemes are accounted for under Financial Reporting Standard (FRS 102, Section 28: Retirement benefits) and the funded pension costs charged to the income and expenditure account shown below reflect the service cost calculated under FRS 102. The full disclosure of the University pension assets and liabilities under FRS 102 is included at the end of this note.

Overall scheme participation and pension costs

	Employer contribution rate at 31 July 2016	Employee contribution rate at 31 July 2016	Active members at 31 July 2016	Pension costs year to 31 July 2016 £'000	Active members at 31 July 2015	Pension costs year to 31 July 2015 £'000
Defined contribution treatment						
USS	18% *	8%	7,245	64,366	6,861	58,641
STSS	14.90%	7.2% to 11.9%	78	560	82	517
MRCPS	17.20%	5.25% to 6.5%	68	462	80	506
NEST	3%	1%	1,205	709	948	546
Other: NHS and subsidiaries	13.50%	5% to 14.7%	77	973	65	1,654
Sub-total: members and costs			8,673	67,070	8,036	61,864
Service cost accounted for under FRS102						
EUSBS	20.30%	7.50%	1,955	13,600	2,029	13,200
SPF	27.9% **	5.5% to 11.2%	28	218	31	220
LPF	24.9% ***	5.5% to 11.2%	24	156	32	146
Sub-total: Members and service cost per FRS102 disclosures below			2,007	13,974	2,092	13,566
Total members and cost			10,680	81,044	10,128	75,430

* Includes a deficit recovery plan contribution of 2.2% to 31 March 2017 and 2.1% thereafter

** An additional SPF employer's contribution of £718,000 (2016 £687,000) is payable for the 12 months ending 31 March 2017

*** An additional LPF employer's contribution of £280,500 (2016 £174,200) is payable for the 12 months ending 31 March 2017

Notes to the financial statements

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30. PENSION SCHEMES (continued)

Key actuarial assumptions used in the valuation of the main pension schemes are as follows:

	Discount rate	Salary increase rate	Pensions increase rate	Mortality rate(1): current pensioners males	Mortality rate: current pensioners females	Mortality rate: non-pensioners males	Mortality rate: non-pensioners females
USS March 2014 deficit valuation	3.60%	n/a	2.20%	24.3	26.5	26.4	28.8
Valuations under FRS102 at 31 July 2016							
EUSBS	2.50%	2.65%(2)	2.65%(3)	21.2	23.4	22.5	24.9
SPF	2.40%	3.90%	1.90%	22.1	23.6	24.8	26.2
LPF	2.40%	4.40%	1.90%	22.1	23.7	24.2	26.3

1. Mortality rates are based on assumed life expectancy at the retirement age.
2. Salary increases are assumed to be 2.65% based on CPI plus 1%
3. Reflecting historic scheme experience and pensions would also increase by CPI plus 1%

The Universities Superannuation Scheme (USS)

The Universities Superannuation Scheme (USS) is a defined benefit scheme which 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. The assets of the scheme are held in a separate trustee-administered fund. Because of the mutual nature of the scheme, assets are not hypothecated to individual institutions and a scheme-wide contribution rate is set. The institution is thus exposed to actuarial risks associated with other institutions' employees and is unable to identify its share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis and therefore accounts for the scheme as if it were a defined contribution scheme, as required by FRS 102, Section 28: Employee benefits. As a result, the amount charged to the income and expenditure account represents the contributions payable to the scheme in respect of the accounting year. The liability for the future contributions payable to USS that relate to the deficit recovery plan agreement and the resulting expense is disclosed separately in these accounts. The contribution rate payable to fund the benefits payable to the University's employees increased to 18.0 per cent from 16.0 per cent from 1 April 2016. The total cost charged to the income and expenditure account shown in the table above was £64,366,000 (2015: £58,641,000).

The latest triennial actuarial valuation of the scheme was 31 March 2014 ("the valuation date") following which a recovery plan was agreed which reduced certain in future employee benefits and increased employer contributions.

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. 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. The assets therefore were sufficient to cover 89% of the benefits which had accrued to members after allowing for expected future increases in earnings.

The main demographic assumption used relates to the mortality assumptions. Mortality in retirement is assumed to be in line with the Continuous Mortality Investigation's (CMI) S1NA tables as follows:

Male members' mortality 98% of S1NA ["light"] YoB tables – No age rating
 Female members' mortality 99% of S1NA ["light"] YoB tables – rated down 1 year

Use of these mortality tables reasonably reflects the actual USS experience. To allow for further improvements in mortality rates, the CMI 2014 projections with a 1.5% p.a. long-term rate were also adopted.

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 of £105.5 million (2015: £93.8 million) for the discounted fair value of the future contractual contributions payable that arise from the agreement to the extent that they relate to the deficit and the resulting expense in the income and expenditure account. The overall employer contribution of 18.0% includes an element of 2.2% (2.1% from April 2017) paid in respect of this liability under the agreed deficit recovery plan.

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 at 31 March 2005 and the results of this valuation were rolled forward to calculate an updated liability of £23.6 billion at 31 March 2012.

As the scheme is unfunded, no surplus or shortfall can be identified. On the advice of the actuary, it was agreed to increase the institution contribution rate by 1.4 per cent to 14.9 per cent of pensionable salaries from 1 April 2009. Future pension contribution rates will be set by the schemes actuary at a level to meet the cost of pensions as they accrue.

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 pension scheme. Under the definitions set out in FRS 102, the MRCPS is a multi-employer scheme. Under the terms of the merger the MRCPS is responsible for the 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. 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 following information is available on the scheme:

The MRCPS provides benefits based on service and final pensionable pay at the normal retirement age of 65. It is a defined benefit scheme that prepares its own scheme statements. Benefits accrue at the rate of 1/80th of pensionable salary for each year of service. In addition, a lump sum equivalent to three years' pension is payable on retirement. Members pay contributions of between 5.25 per cent and 6.5 per cent pensionable earnings to the scheme. In addition to the principal section, the supplementary benefits section exists to provide additional benefits in the event of ill-health retirement or death in service. It is solely funded by members' contributions.

The required MRCPS contribution rate is assessed every three years in accordance with advice of the Government Actuary. The latest actuarial assessment of the MRCPS was at 31 December 2010, at which the market value of the assets of the MRCPS was £884 million (2007: £869 million). The actuarial value of the assets was sufficient to cover 110 per cent of the benefits that had accrued to members after allowing for expected future increases in earnings. Triennial valuations are conducted under the Pensions Act 2004 on a scheme specific funding basis. The scheme is 110% funded on an ongoing basis. The present MRCPS employers' contribution rate is 17.2 per cent.

National Employee Savings Trust (NEST)

The University joined the NEST scheme in March 2013 in order 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 that is not contracted out of the State Second Pension (S2P). Pension contribution rates will be set by the schemes actuary at a level to meet the cost of pensions as they accrue.

National Health Service Superannuation Scheme (NHSSS)

As a result of the merger with the Human Genetics Unit, the University gained a number of staff in the NHSSS pension scheme. Under the definitions set out in FRS 102, the NHSSS is a multi-employer scheme. The University is unable to identify its share of the underlying assets and liabilities of the scheme. Accordingly, the University has taken advantage of the exemption in FRS 102 and has accounted as if it were a defined contribution scheme. An actuarial assessment was carried out at 31 March 2011.

The Federated Superannuation Scheme for Universities (FSSU)

FSSU is a defined benefit scheme that is not contracted out of the State Second Pension (S2P) and covers a very small number of academic staff who did not transfer to USS when it was introduced in 1975. Pension provision is by means of assurance policies, selected by the member from a panel and held in trust by the Trustees. Premiums on policies are paid annually in advance by the University Court, which then recovers the appropriate members' contributions by deduction from salary. Adjustments are made in respect of prepaid premiums in arriving at the charge for the year. Persons retiring or who have already retired under the scheme are entitled to additional benefits that may arise under the FSSU Supplementation scheme. These additional benefits are unfunded and are paid direct to retired members by the Court. Full provision has been made in the year for the actuarial valuation of the liabilities of this scheme.

There are no active members but the University has eight deferred members participating in this scheme.

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 has been calculated as £9.6 million comprising:

- Moray House School of Education and Edinburgh College of Art: £8.1 million
- University of Edinburgh: £1.5 million

See Provision for liabilities (note 19).

Notes to the financial statements

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30. PENSION SCHEMES (continued)

Schemes accounted for under FRS 102

Edinburgh University Staff Benefits Scheme (EUSBS)

The EUSBS is an externally funded defined benefit scheme which 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. The assets of EUSBS are held in a separate trustee-administered fund. The latest formal triennial actuarial valuation of the scheme was carried out as at 31 March 2015 and has been rolled forward as the basis for the following valuation under FRS 102. As at 31 July 2016, the value of the assets in the scheme was £371.3 million (2015: £318.8 million) and the present value of the funded and unfunded benefits accrued was £502.6 million (2015: £423.7 million), leaving a shortfall of £131.3 million (2015: £104.9 million) included in the University pension liability.

	Value at 31 July 2016 £m	Value at 31 July 2015 £m	Value at 31 July 2014 £m
The assets in the EUSBS scheme and the expected rates of return were:			
Equities	145.4	126.3	114.0
Bonds & debt instruments	82.6	73.1	67.5
Property	34.7	32.6	28.4
Private equity and diversified growth funds	88.2	84.7	78.3
Cash	20.4	2.1	0.8
Total market value of assets and expected rate of return	371.3	318.8	289.0
Present value of scheme liabilities	(502.6)	(423.7)	(383.0)
Deficit in the scheme - net pension liability	(131.3)	(104.9)	(94.0)

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. Under the old State Pension rules, until 5 April 2016, LPF is contracted out of the State Second Pension (S2P) scheme. From 6 April 2016, employees are no longer able to contract out of the S2P. 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 2014 and the results have been rolled forward as the basis for the following valuation under FRS 102. As at 31 July 2016, the value of the University's assets in the LPF scheme was £21.2 million (2015: £17.7 million) and the present value of the funded and unfunded benefits accrued was £26.2 million (2015: £22.3 million), leaving a shortfall of £5.0 million (2015: £4.6 million) included in the University pension liability.

	Value at 31 July 2016 £m	Value at 31 July 2015 £m	Value at 31 July 2014 £m
The assets in the LPF scheme and the expected rates of return were:			
Equities	14.4	11.7	13.1
Bonds	4.5	3.2	1.4
Property	1.7	1.6	1.3
Cash	0.6	1.2	0.8
Total market value of assets	21.2	17.7	16.6
Present value of scheme liabilities			
Funded	(26.0)	(22.1)	(21.0)
Unfunded	(0.2)	(0.2)	(0.2)
Deficit in the scheme - net pension liability	(5.0)	(4.6)	(4.6)

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

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 2011 and the results have been rolled forward as the basis for the following valuation under FRS 102. As at 31 July 2016, the value of the University's assets in the SPF scheme was £29.0 million (2015: £25.9 million) and the value of the funded and unfunded benefits accrued was £32.0 million (2015: £28.8 million), leaving a deficit of £3.0 million (2015: £2.9 million) included in the University pension liability.

	Value at 31 July 2016 £m	Value at 31 July 2015 £m	Value at 31 July 2014 £m
The assets in the SPF scheme and the expected rates of return were:			
Equities	21.2	19.4	18.8
Bonds	4.6	3.1	3.0
Property	3.2	3.1	1.7
Cash	-	0.3	1.2
Total market value of assets and expected rate of return	29.0	25.9	24.7
Present value of scheme liabilities			
Funded	(31.5)	(28.2)	(28.3)
Unfunded	(0.6)	(0.6)	(0.6)
Deficit in the scheme - net pension liability	(3.1)	(2.9)	(4.2)

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

Notes to the financial statements

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30. 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.

	2016 £'000	2015 £'000
Analysis of the amount shown in the balance sheet for EUSBS, LPF and SPF pensions:		
Scheme assets	421,540	362,389
Scheme liabilities	560,869	474,745
Deficit in the schemes - net pension liability recorded within pension provisions (Note 19)	139,329	112,356
Unfunded ex gratia pension liability	8,900	9,570
Total provision for net liability	148,229	121,926
Current service cost	13,972	13,566
Past service costs	2	-
Total operating charge	13,974	13,566
Analysis of the amount charged to interest payable		
Interest cost	17,354	17,518
Expected return on assets	(13,408)	(13,469)
Net charge to other interest and other finance costs	3,946	4,049
Analysis of other comprehensive income:		
Gain on assets	(29,729)	(21,470)
Experience (gain)/loss on liabilities	(706)	3,830
Past service credit arising on change of pension increase assumption in the financial year	71,757	20,839
Total charge to other comprehensive income before deduction for tax	41,322	3,199
Analysis of movement in deficit	2016 £'000	2015 £'000
Deficit at beginning of year	112,356	102,993
Contributions or benefits paid by the University	(12,269)	(11,451)
Additional contributions paid by University*	(20,000)	-
Current service cost	13,972	13,566
Past service cost	2	-
Other finance charge	3,946	4,049
Loss recognised in other comprehensive income	41,322	3,199
Deficit at end of year	139,329	112,356

* An additional £19 million one-off lump sum contribution was made to the EUSBS in the year as part of a deficit recovery plan together with a further £1 million which will be paid recurrently while the scheme is in deficit.

Analysis of movement in the present value of liabilities	2016 £'000	2015 £'000
Present value of liabilities at the start of the year	474,745	433,122
Current service cost	13,972	13,566
Interest cost	17,354	17,518
Past service cost recorded within other comprehensive Income	2	-
Actual member contributions	402	407
Actuarial loss	71,051	24,669
Actual benefit payments	(16,657)	(14,537)
Present value of liabilities at the end of the year	560,869	474,745

Analysis of movement in the fair value of scheme assets	2016 £'000	2015 £'000
Fair value of assets at the start of the year	362,389	330,129
Expected return on assets	13,408	13,469
Actuarial gain on assets	29,729	21,470
Actual scheme contributions paid by University*	12,269	11,451
Additional contributions paid by University**	20,000	-
Actual member contributions	402	407
Actual benefit payments	(16,657)	(14,537)
Fair value of scheme assets at the end of the year	421,540	362,389

* Estimated contributions in the Financial Year 2016/17 are £12.7 million based on the same member take up in the Salary Sacrifice arrangement.

** An additional £19 million one-off lump sum contribution was made to the EUSBS in the year as part of a deficit recovery plan together with a further £1 million which will be paid recurrently while the scheme is in deficit.

Actual return on scheme assets	2016 £'000	2015 £'000
Expected return on scheme assets	13,408	13,469
Asset gain	29,729	21,470
	43,137	34,939

History of experience gains and losses	2016	2015	2014	2013	2012
Difference between actual and expected return on scheme assets:					
Amount (£'000)	29,729	21,470	(6,063)	33,286	(3,657)
% of assets at end of year	7.1%	5.9%	-1.8%	10.5%	-1.4%
Experience (losses)/gains on scheme liabilities:					
Amount (£'000)	(71,051)	(24,669)	(35,672)	(3,603)	20,683
% of liabilities at end of year	-12.8%	-4.4%	-8.2%	-0.9%	7.5%

Notes to the financial statements

(continued)

31. ACCOUNTING ESTIMATES AND JUDGEMENTS

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. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. The 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:

Judgement, assumptions and estimation uncertainties

USS deficit recovery plan provision

The University of Edinburgh has judged that the scheme provided by USS meets the definition of a sector wide multi-employer scheme for entities that are not under common control. The University has entered into an agreement with the scheme that determines how the scheme deficit will be funded and has recognised a liability calculated as the discounted fair value of the contractual future contributions payable to the extent that they relate to the deficit, with the resulting expense recognised in profit or loss. Assumptions used in the calculation include the level of future salary increases and staff increases and the applicable discount rate which all require elements of estimation.

Holiday earned but not taken and other employee benefits provision

This is calculated in respect of the sample of holiday earned but not taken at the balance sheet date of 31 July 2016 that is attributed across the whole population of employees.

Pension provisions

The pension provision is calculated using information received from the actuarial valuations. Assumptions are made around discount rates, future salary increases and staff increases.

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 estimates and assumptions on asset useful economic lives and expected residual value.

32. STUDENT SUPPORT PAYMENTS

	HE childcare £'000	HE discretionary undergraduate £'000	HE discretionary postgraduate £'000	2016 Total £'000	2015 Total £'000
Balance at 1 August	-	-	-	-	-
Allocation received in year	292	738	275	1,305	1,363
Expenditure	(274)	(836)	(198)	(1,308)	(1,366)
Interest received	-	3	-	3	3
Virements	(18)	95	(77)	-	-
Balance at 31 July	-	-	-	-	-

33. TRANSITION TO FRS 102 AND THE 2015 SORP

As explained in the accounting policies, these are the University's first financial statements prepared in accordance with the new SORP 2015 and based on Financial Reporting Standard FRS 102. The accounting policies set out in Note 1 have been applied in preparing the financial statements for the year ended 31 July 2016, the comparative information presented in these financial statements for the year ended 31 July 2015 and in the preparation of an opening FRS 102 Statement of Financial Position at 1 August 2014. In preparing its FRS 102, SORP-based Statement of Financial Position, the University has adjusted amounts reported previously in financial statements prepared in accordance with its previous basis of accounting (2007 SORP). An explanation of the significant changes of how the transition to FRS 102 and the SORP has affected the University's financial position, financial performance and cash flows is set out in the following tables and the notes that accompany the tables.

33. TRANSITION TO FRS102 AND THE 2015 SORP (continued)Consolidated Balance Sheet
and reconciliation of reserves

	Notes	As at 1 August 2014			As at 31 July 2015		
		2007	Effect of	FRS 102	2007	Effect of	FRS 102
		SORP	transition		SORP	transition	
£'000	to FRS	£'000	£'000	£'000	to FRS	£'000	
Non-current assets							
Intangible assets and goodwill	a	(24,934)	24,934	-	(22,857)	22,857	-
Fixed assets	b	1,432,670	(86,073)	1,346,597	1,586,724	(187,705)	1,399,019
Heritage assets	c	-	175,158	175,158	-	204,601	204,601
Investments	d	13,379	291,678	305,057	13,953	313,173	327,126
		1,421,115	405,697	1,826,812	1,577,820	352,926	1,930,746
Endowments	d	297,942	(297,942)	-	317,174	(317,174)	-
Current assets							
Stock		2,686	-	2,686	2,735	-	2,735
Trade and other receivables		93,140	6,399	99,539	112,011	7,506	119,517
Investments	e, i	306,314	(95,933)	210,381	330,624	(210,624)	120,000
Cash and cash equivalents	e	74,470	99,625	174,095	40,401	212,334	252,735
		476,610	10,091	486,701	485,771	9,216	494,987
Less: creditors: amounts falling due within one year	f, g	(259,974)	27,645	(232,329)	(274,732)	22,320	(252,412)
Net current assets		216,636	37,736	254,372	211,039	31,536	242,575
Total assets less current liabilities recorded within other comprehensive income		1,935,693	145,491	2,081,184	2,106,033	67,289	2,173,322
Creditors: amounts falling due after more than one year		(106,521)	(4,766)	(111,287)	(93,185)	-	(93,185)
Provisions for liabilities	h	(112,563)	(45,827)	(158,390)	(121,926)	(93,766)	(215,692)
Total net assets		1,716,609	94,898	1,811,507	1,890,922	(26,477)	1,864,445
Restricted reserves							
Income and expenditure reserve - endowment reserve		297,942	(2,575)	295,367	317,174	(2,575)	314,599
Income and expenditure reserve - restricted reserve		-	31,706	31,706	-	35,375	35,375
Unrestricted reserves							
Income and expenditure reserve - unrestricted		725,299	(18,331)	706,968	772,752	(57,818)	714,934
Revaluation reserve	b	693,368	84,098	777,466	800,996	(1,459)	799,537
Total reserves		1,716,609	94,898	1,811,507	1,890,922	(26,477)	1,864,445

Notes to the financial statements

(continued)

33. TRANSITION TO FRS102 AND THE 2015 SORP (continued)

University Balance Sheet and reconciliation of reserves

	Notes	As at 1 August 2014			As at 31 July 2015		
		2007 SORP £'000	Effect of transition to FRS 102 £'000	FRS 102 £'000	2007 SORP £'000	Effect of transition to FRS 102 £'000	FRS 102 £'000
Non-current assets							
Intangible assets and goodwill	a	(24,934)	24,934	-	(22,857)	22,857	-
Fixed assets	b	1,403,915	(87,975)	1,315,940	1,558,295	(187,498)	1,370,797
Heritage assets	c		175,158	175,158	-	204,601	204,601
Investments	d	37,205	291,678	328,883	34,790	313,172	347,962
		1,416,186	403,795	1,819,981	1,570,228	353,132	1,923,360
Endowments	d	297,942	(297,942)	-	317,174	(317,174)	-
Current assets							
Stock		1,969	-	1,969	1,992	-	1,992
Trade and other receivables		91,384	2,997	94,381	109,521	2,847	112,368
Investments	e, i	299,903	(95,933)	203,970	320,346	(200,346)	120,000
Cash and cash equivalents	e	60,697	96,625	157,322	27,102	199,056	226,158
		453,953	3,689	457,642	458,961	1,557	460,518
Less: creditors: amounts falling due within one year	f, g	(241,998)	15,465	(226,533)	(252,080)	9,405	(242,675)
Net current assets		211,955	19,154	231,109	206,881	10,962	217,843
Total assets less current liabilities recorded within other comprehensive income		1,926,083	125,007	2,051,090	2,094,283	46,920	2,141,204
Creditors: amounts falling due after more than one year		(106,421)	(4,011)	(110,432)	(92,585)	-	(92,585)
Provisions for liabilities	h	(112,563)	(45,827)	(158,390)	(121,926)	(93,766)	(215,692)
Total net assets		1,707,099	75,169	1,782,268	1,879,772	(46,845)	1,832,927
Restricted reserves							
Income and expenditure reserve - endowment reserve		297,942	(2,575)	295,367	317,174	(2,575)	314,599
Income and expenditure reserve - restricted reserve		-	13,079	13,079	-	14,541	14,541
Unrestricted reserves							
Income and expenditure reserve - unrestricted		716,635	(18,918)	697,717	762,963	(57,352)	705,611
Revaluation reserve	b	692,522	83,583	776,105	799,635	(1,459)	798,176
Total reserves		1,707,099	75,169	1,782,268	1,879,772	(46,845)	1,832,927

Notes to the balance sheets and reconciliation of reserves

a) The University has applied Section 34 Specialised Activities, paragraph PPBE34.79, which allows the University to recognise the excess of the fair value of assets received over the fair value of liabilities assumed received as a gain in the income and expenditure account. The negative goodwill of £24,934,000 at 31 July 2014 has now been recognised as income in the earlier year of acquisition and included in unrestricted reserves.

Notes to the balance sheets and reconciliation of reserves (continued)

b) The University has elected to use the first-time adoption option on transitions to FRS 102 to account for land and buildings at deemed historic cost. The University had previously measured land and buildings at fair value at 1 August 2014 at £1,342,456,000 which included a gain on revaluation in 2014/15 of land and buildings of £84,944,000. On transition this value has been adopted as the deemed historic at 1 August 2014. As a consequence, the revaluation gain is now recognised at the transition date and the revaluation is reflected in the opening FRS 102 position and reserves at 1 August 2014. As a result of the University adopting deemed cost, it also changed the accounting policy on capitalisation of major repairs and refurbishment costs. This resulted in an additional £17,103,000 of repairs and maintenance expenditure capitalised in 2014/15.

c) The University has continue to measure heritage assets at valuation. Under the previous UK GAAP, heritage assets were not separately disclosed on the balance sheet. There is no financial effect to the University at 1 August 2014, or future periods as the changes relates only to the separate balance sheet disclosure required under FRS 102.

d) Endowment assets of £297,942,000 at 31 July 2014, are no longer separately disclosed on the balance sheet under FRS 102 but are now included within the appropriate non-current investment or current net asset category. £291,678,000 of these endowment assets are now classified as non-current investments in the opening FRS 102 position at 1 August 2014, with the remaining portion disclosed under current assets. There is no impact on University reserves at 1 August 2014 and the impact on future periods relate only to disclosures.

e) Cash and cash equivalents now includes some former endowment asset cash and short-term, highly liquid investments that are readily convertible to amounts of cash that are subject to insignificant risk of changes in value and which were previously disclosed as current asset investments. As a consequence, £95,625,000 is reclassified as cash and cash equivalents at the opening FRS 102 position at 1 August 2014 and £212,334,000 is reclassified at 31 July 2015. The impact is explained in a separate cash flow statement transition note (i).

f) The previous UK GAAP allowed the University to defer unspent income on donations, other restricted income and capital grants as a creditor at year end. FRS 102 only allows unspent income and capital grants to be deferred on the balance sheet if a performance related condition exists and fulfilment of these is incomplete. As a result at 31 July 2014, £25,304,000 of deferred donations and other restricted income should have been recognised as income in year of receipt. On transition this has been released to the restricted reserves and capital grants of £8,720,000 with no performance-related condition have been released to the unrestricted reserve.

g) FRS 102 requires an accrual for holiday entitlement that was earned but not taken by employees at the balance sheet date. The accrual results in an additional £6,268,000 of accruals at 31 July 2014. During 2014/15 there was an additional £2,856,000 of holiday entitlement, which resulted in the accrual increasing to £8,808,000 at 31 July 2016.

h) Under previous GAAP the University was not required to recognise any share of the deficit in the sector University Superannuation Scheme (USS) on the balance sheet. FRS 102 however requires the University share of the cost of any agreed pension deficit recovery plan for a multi-employer pension schemes to be recognised on balance sheet as a provision for liability. The USS past deficit recovery plan at the 1 August 2014 FRS 102 opening position was based on the 2012 triennial valuation. This set out the detailed obligation as a proportion of contributions over 10 years and, at the transition date, there were 7 years remaining on this agreement requiring a balance provision of £45,827,000 with a corresponding reduction in reserves. A new deficit recovery plan, based on the larger 2015 triennial valuation deficit, covered a 17 year period to 2031. The new plan was agreed in 2015 has resulted in an increase to the balance sheet provision for the University share of the latest USS deficit recovery scheme to £93,765,000 at 31 July 2015.

Consolidated statement of cash flow

		2007 SORP £'000	Effect of transition to FRS 102 £'000	FRS 102 £'000
(Increase)/decrease in current asset investment in the year	i	(20,443)	104,413	83,970
Other net cash inflows/(outflows)		(13,626)	8,296	(5,330)
(Decrease)/increase in cash and cash equivalents in the year	i	(34,069)	112,709	78,640
Cash and cash equivalents at beginning of the year		74,470	99,625	174,095
Cash and cash equivalents at end of the year		40,401	212,334	252,735

Note to the cash flows

i) The main impact of the transition to FRS 102 on the cash flows of the University or the Group is the reclassification of some short-term investments between current asset investments and cash and cash equivalents as detailed in note (e) above. This results in an inflow of £78,640,000 under the new definition of cash and cash equivalent compared to an outflow £34,069,000 under the previous GAAP. The majority of this additional inflow results from a decrease of £104,413,000 in current assets investments at 31 July 2015.

Notes to the financial statements

(continued)

33. TRANSITION TO FRS102 AND THE 2015 SORP (continued)

Consolidated Statement of Comprehensive Income and Expenditure for the year ended 31 July 2015 and reconciliation to surplus and other gains and losses under SORP 2007

	Notes	2007 SORP £'000	STRGL items* £'000	Effect of transition to FRS 102 £'000	FRS 102 £'000
Income					
Tuition fees and education contracts		221,748	-	-	221,748
Funding body grants		203,615	-	(4,757)	198,858
Research grants and contracts		247,391	-	5,635	253,026
Other income (adjusted to exclude income from joint ventures)		150,070	-	(4,353)	145,717
Investment income		17,924	-	(3,325)	14,599
Total income before donations and endowments		840,748	-	(6,800)	833,948
Donations and endowments	j,k	-	2,008	10,396	12,404
Total income		840,748	2,008	3,596	846,352
Expenditure					
Staff costs	l	445,252	-	49,103	494,355
Other operating expenses	m	308,642	-	(17,661)	290,981
Depreciation		33,947	-	207	34,154
Interest and other finance costs		5,460	-	5,671	11,131
Total expenditure		793,301	-	37,320	830,621
Surplus/(deficit) before other gains and losses		47,447	2,008	(33,724)	15,731
Gain on disposal of fixed assets		39	-	-	39
Gain on investments	j	-	15,880	-	15,880
Surplus before tax		47,486	17,888	(33,724)	31,650
Taxation		(4,956)	-	-	(4,956)
Surplus for the year		42,530	17,888	(33,724)	26,694
Unrealised surplus on revaluation of heritage assets	j	-	29,443	-	29,443
Actuarial loss in respect of pension schemes	j	-	(10,773)	7,574	(3,199)
Total comprehensive income for the year		42,530	36,558	(26,150)	52,938

*Under FRS 102, the consolidated statement of income and expenditure now includes items previously included in the Statement of Recognised Gains and Losses (STRGL).

Reconciliation of surplus and other gains and losses to Comprehensive income for the year ended 31 July 2015

j) Under previous UK GAAP, new endowments, gain/(loss) on investment, unrealised surplus on revaluation of heritage assets and actuarial gain/(loss) in respect of pension scheme were all disclosed within a separate Statement of Total Recognised Gains and Losses (STRGL). These items are now included in the consolidated statement of income and expenditure.

k) Under FRS 102 donation income disclosed separately from other income together with new endowments previously reported on the STRGL on an additional line. The University has also adopted the performance model and most donations received do not have any performance-related conditions and are now fully recognised in year of receipt rather than holding unspent income as a deferred liability on the balance sheet. In the year to 31 July 2015, £12,404,000 is now disclosed as donations and endowments in the statement of comprehensive income and expenditure.

University Statement of Comprehensive Income and Expenditure for the year ended 31 July 2015 and reconciliation to surplus and other gains and losses under SORP 2007

	Notes	2007 SORP £'000	STRGL items* £'000	Effect of transition to FRS 102 £'000	FRS 102 £'000
Income					
Tuition fees and education contracts		221,748	-	-	221,748
Funding body grants		203,615	-	(4,757)	198,858
Research grants and contracts		247,391	-	5,635	253,026
Other income (adjusted to exclude income from joint ventures)		124,555	-	(3,596)	120,959
Investment income		18,462	-	(3,325)	15,137
Total income before donations and endowments		815,771	-	(6,043)	809,728
Donations and endowments	j,k	-	2,008	8,166	10,174
Total income		815,771	2,008	2,123	819,902
Expenditure					
Staff costs	l	431,112	-	49,103	480,215
Other operating expenses	m	300,595	-	(17,661)	282,934
Depreciation		32,174	-	-	32,174
Interest and other finance costs		5,460	-	5,671	11,131
Total expenditure		769,341	-	37,113	806,454
Surplus/(deficit) before other gains and losses					
		46,430	2,008	(34,990)	13,448
Gain on disposal of fixed assets		39	-	-	39
Gain on investments	j	-	15,880	-	15,880
Surplus before tax		46,469	17,888	(34,990)	29,367
Taxation		(4,953)	-	-	(4,953)
Surplus for the year		41,516	17,888	(34,990)	24,414
Unrealised surplus on revaluation of heritage assets	j	-	29,443	-	29,443
Actuarial loss in respect of pension schemes	j	-	(10,773)	7,574	(3,199)
Total comprehensive income for the year		41,516	36,558	(27,416)	50,658

l) FRS 102 requires the University share of the cost of any agreed pension deficit recovery plan for multi-employer pension schemes to be recognised on balance sheet as a provision for liability and any movement in the provision to be included in the statement of comprehensive income and expenditure. The 1 August 2014 FRS 102 opening provision of was based on the 2012 triennial valuation. A new deficit recovery plan, based on the larger 2015 triennial valuation deficit was agreed in during 2015/16 which resulted in a charge to the statement of comprehensive income and expenditure of £47,939,000 for the year.

m) The University changed its accounting policy on the capitalisation of major repairs and refurbishment work to the estate as a result of adopting an historic cost accounting policy for land and building under FRS 102. This resulted in an additional £17,103,000 of building repair and refurbishment expenditure being capitalised in 2014/15.

Five-year summary (unaudited)

FRS 102

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

	2016 £'000	2015 £'000
Income		
Tuition fees and education contracts		
Home and EU higher education students	102,713	87,961
Non-EU fees	131,461	115,060
Education grants	18,319	18,727
Total tuition fees	252,493	221,748
Funding body grants		
Recurrent teaching grant	67,669	72,489
Recurrent research grant	92,389	100,896
Specific grants	34,456	25,473
Total funding body grants	194,514	198,858
Research grants and contracts		
Research councils	121,061	114,819
UK based charities	49,736	46,095
UK central government bodies, local and health authorities	22,845	17,423
UK industry, commerce and public corporations	8,405	7,499
EU government bodies	29,642	26,381
EU other	2,896	2,883
Other overseas	7,972	7,249
Other sources	11,328	8,809
Total research grants and contracts (excluding RDEC)	253,885	231,158
Other income		
Residences, catering and conferences	62,821	54,574
Specific grants, donations and other designated income	35,036	33,873
General income	65,948	57,270
Total other income	163,805	145,717
Investment income		
Income from expendable endowments	6,170	6,733
Income from permanent endowments	2,988	3,756
Other investment income	1,021	490
Other interest receivable	3,105	3,620
Net return on pension scheme assets	-	-
Total investment income	13,284	14,599
Total income before endowments and donations	877,981	812,080
Donations and endowments		
New endowments	4,428	2,008
Donations with restrictions	5,523	10,396
Unrestricted donations	1,523	-
Total donations and endowments	11,474	12,404
Total income	889,455	824,484

2007 SORP

GROUP INCOME AND EXPENDITURE ACCOUNT FOR THE YEAR TO 31 JULY

	2014 £'000	2013 £'000	2012 £'000
Income			
Tuition fees			
Home and EU higher education students	74,722	64,144	47,397
Non-EU fees	100,906	93,435	85,427
Education grants	18,439	16,500	17,474
Total tuition fees	194,067	174,079	150,298
Funding body grants			
Recurrent teaching grant	76,316	80,621	76,757
Recurrent research grant	100,446	93,439	83,243
Specific grants	23,094	26,096	25,446
Deferred capital grants released in year	4,260	4,126	3,992
Total funding body grants	204,116	204,282	189,438
Research grants and contracts			
Research councils	109,101	97,054	94,473
UK-based charities	43,178	43,335	43,624
UK central, government bodies, local and health authorities	17,903	17,346	17,316
UK industry, commerce and public corporations	5,413	8,733	7,852
EU government bodies	24,325	23,383	19,611
EU other	2,071	1,614	1,262
Other overseas	6,714	5,011	4,484
Other sources	7,229	3,647	4,497
Total research grants and contracts	215,934	200,123	193,119
Other operating income			
Residences, catering and conferences	50,170	48,195	43,668
Specific grants, donations and other designated income	35,199	28,869	40,590
General income	57,597	60,258	63,876
Released from deferred capital grants	2,345	3,059	5,783
Benefit on acquisition	2,078	1,351	1,461
Total other operating income	147,389	141,732	155,378
Endowment income and interest receivable			
Income from expendable endowments	6,689	5,292	5,118
Income from permanent endowments	3,727	2,991	2,567
Other investment income	270	485	527
Other interest receivable	8,438	8,802	4,442
Total endowment income and interest receivable	19,124	17,570	12,654
Total income	780,630	737,786	700,887

FRS 102

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

	2016 £'000	2015 £'000
Expenditure		
Staff costs		
Salaries and wages	354,587	342,659
Social security costs	30,133	27,381
Pension costs	81,044	75,430
Movement on USS provision	9,975	46,527
Other unfunded pension costs	60	837
Severance costs	2,090	1,521
Total staff costs	477,889	494,355
Other operating expenses		
Academic and related expenditure	83,953	80,431
Research grants and contracts	96,470	79,735
Library, computer and other academic support services	11,835	9,888
Administration and central services	30,761	26,399
Premises	43,312	50,890
Other including income generating operations	12,318	12,678
Residences and catering operations	34,412	30,960
Total other operating expenses	313,061	290,981
Depreciation	40,286	34,154
Interest and other finance costs	12,757	11,131
Total expenditure	843,993	830,621
Surplus/(deficit) before other gains and losses	45,462	(6,137)
Exceptional items (RDEC)	19,010	21,868
Tax and minority interest	(3,930)	(4,956)
Gain on disposal of fixed assets	518	39
Gain on investments	28,935	15,880
Surplus for the year	89,995	26,694
Unrealised surplus on revaluation of land and buildings	-	-
Unrealised surplus on revaluation of heritage assets	7,240	29,443
Actuarial loss in respect of pension schemes	(41,053)	(3,199)
Total comprehensive income for the year	56,182	52,938

2007 SORP

GROUP INCOME AND EXPENDITURE ACCOUNT
FOR THE YEAR TO 31 JULY

	2014 £'000	2013 £'000	2012 £'000
Expenditure			
Staff costs			
Salaries and wages	312,836	291,214	272,100
Social security costs	25,528	21,716	22,391
Other pension costs	68,886	63,180	56,071
Unfunded pensions	916	(595)	2,047
Severance costs	1,828	1,750	2,064
Total staff costs	409,994	377,265	354,673
Other operating expenses			
Academic and related expenditure	75,531	68,119	62,216
Research grants and contracts	83,907	75,774	70,895
Library, computer and other academic support services	13,156	14,803	23,087
Administration and central services	24,591	22,696	17,091
Premises	59,900	61,085	54,050
Other including income generating operations	13,134	14,094	19,076
Residences and catering operations	29,148	28,194	22,438
Total other operating expenses	299,367	284,765	268,853
Depreciation	32,292	32,699	31,569
Interest payable	5,538	5,604	4,818
Total expenditure	747,191	700,333	659,913
Surplus on continuing operations	33,439	37,453	40,974
Exceptional items	-	-	-
Tax and minority interest	(36)	(14)	(61)
Gain on disposal of assets	-	547	206
Transfers from/(to) endowment reserves	(3,003)	265	546
Surplus retained within general reserves	30,400	38,251	41,665
Transfers (from)/to endowment reserves	3,003	(265)	(546)
Surplus after depreciation of assets at valuation, taxation and minority interest	33,403	37,986	41,119
Net appreciation on tangible fixed asset – land and buildings values	-	(7,542)	1,018
Unrealised surplus on revaluation of tangible fixed assets – heritage assets	2,700	1,636	8,058
New endowments and appreciation on endowment and investments	11,687	42,215	1,268
Actuarial gain/(loss) in respect of pension schemes	(43,335)	32,683	(28,374)
Total gain recognised during the current year	4,455	106,978	23,089

Five-year summary (unaudited)

FRS 102

CONSOLIDATED BALANCE SHEET AT 31 JULY	2016 £m	2015 £m
Fixed assets	1,493	1,399
Heritage assets	212	205
	1,705	1,604
Investments	471	327
Current assets	531	495
Total assets	2,707	2,426
Less current liabilities	(276)	(253)
Total assets less current liabilities	2,431	2,173
Non-current liabilities	(257)	(93)
Pension provisions	(254)	(216)
TOTAL NET ASSETS	1,920	1,864
Restricted reserves	383	350
Unrestricted reserves	1,537	1,514
TOTAL FUNDS	1,920	1,864

2007 SORP

GROUP BALANCE SHEET AS AT 31 JULY	2014 £m	2013 £m	2012 £m
Fixed assets			
Heritage assets			
	1,421	1,399	1,379
Endowment assets	298	284	238
Current assets	477	450	415
Total assets	2,196	2,133	2,032
Less current liabilities	(260)	(250)	(236)
Total assets less current liabilities	1,936	1,883	1,796
Non-current liabilities	(106)	(118)	(121)
Pension liability and provisions	(113)	(64)	(99)
TOTAL NET ASSETS	1,717	1,700	1,576
Represented by:			
Deferred capital grants	378	366	349
Endowments	298	284	238
Reserves	1,041	1,050	989
TOTAL FUNDS	1,717	1,700	1,576

		2016	2015	2014	2013	2012
Liquidity measures						
Liquidity ratio ((current assets - stock) / current liabilities)	x	1.9	2.0	1.8	1.8	1.7
<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	179	167	194	191	187
<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	5.1	1.4	6.0	6.8	8.5
Interest cover (operating cash flow/ interest payable)	x	6.7	5.7	9.5	8.6	9.2
<i>Measures how easily the University can pay outstanding debt</i>						
Gearing (creditors > 1 year / endowment + general reserves including pension reserve)	%	24%	11%	8.0%	8.1%	9.0%
<i>Measures the extent to which the University is funded by long-term debt</i>						
Operating performance						
ROCE (EBITDA/[total assets - pension provisions])		5.9%	5.2%	3.0%	3.3%	3.8%
EBITDA (FRS102 surplus/(deficit) before other gains/losses + interest payable + depreciation + change to pension provisions within staff costs)	£m	127	108	n/a	n/a	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	55	59	63
<i>Measures operating performance before local decisions on accounting and finance policies are taken into account</i>						

Five-year summary (unaudited)

FRS 102

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

	2016 % total	2015 % total
Income		
Tuition fees and education contracts		
Home and EU higher education students	11.5%	10.7%
Non-EU fees	14.8%	14.0%
Education grants	2.1%	2.3%
Tuition fees as % of total income	28.4%	26.9%
Funding body grants		
Recurrent teaching grant	7.6%	8.8%
Recurrent research grant	10.4%	12.2%
Specific grants	3.9%	3.1%
Funding body grants as % of total income	21.9%	24.1%
Research grants and contracts		
Research councils	13.6%	13.9%
UK based charities	5.6%	5.6%
UK central government bodies, local and health authorities	2.6%	2.1%
UK industry, commerce and public corporations	0.9%	0.9%
EU government bodies	3.3%	3.2%
EU other	0.3%	0.3%
Other overseas	0.9%	0.9%
Other sources	1.3%	1.1%
Research grants and contracts as % of total income	28.5%	28.0%
Other income		
Residences, catering and conferences	7.1%	6.6%
Specific grants, donations and other designated income	3.9%	4.1%
General income	7.4%	6.9%
Other income as % of total income	18.4%	17.7%
Investment income		
Income from expendable endowments	0.7%	0.8%
Income from permanent endowments	0.3%	0.5%
Other investment income	0.1%	0.1%
Other interest receivable	0.3%	0.4%
Net return on pension scheme assets		
Total investment income as % of total income	1.5%	1.8%
Total income before endowments and donations as % of total income	98.7%	98.5%
Donations and endowments		
New endowments	0.5%	0.2%
Donations with restrictions	0.6%	1.3%
Unrestricted donations	0.2%	0.0%
Total donations and endowments as % of total income	1.3%	1.5%
Total income £'000	889,455	824,484

2007 SORP

GROUP INCOME AND EXPENDITURE ACCOUNT FOR THE YEAR TO 31 JULY

	2014 % total	2013 % total	2012 % total
Income			
Tuition fees			
Home and EU higher education students	9.6%	8.7%	6.8%
Non-EU fees	12.9%	12.7%	12.2%
Education grants	2.4%	2.2%	2.5%
Tuition fees as % of total income	24.9%	23.6%	21.4%
Funding body grants			
Recurrent teaching grant	9.8%	10.9%	11.0%
Recurrent research grant	12.9%	12.7%	11.9%
Specific grants	3.0%	3.5%	3.6%
Deferred capital grants released in year	0.5%	0.6%	0.6%
Funding body grants as % of total income	26.1%	27.7%	27.0%
Research grants and contracts			
Research councils	14.0%	13.2%	13.9%
UK-based charities	5.5%	5.9%	6.2%
UK central, government bodies, local and health authorities	2.3%	2.4%	2.5%
UK industry, commerce and public corporations	0.7%	1.2%	1.3%
EU government bodies	3.1%	3.2%	3.3%
EU other	0.3%	0.2%	0.2%
Other overseas	0.9%	0.7%	0.7%
Other sources	0.9%	0.5%	0.5%
Research grants and contracts as % of total income	27.7%	27.1%	28.6%
Other operating income			
Residences, catering and conferences	6.4%	6.5%	6.9%
Specific grants, donations and other designated income	4.5%	3.9%	5.8%
General income	7.4%	8.2%	7.8%
Released from deferred capital grants	0.3%	0.4%	0.4%
Benefit on acquisition	0.3%	0.2%	0.2%
Other operating income as % of total income	18.9%	19.2%	21.1%
Endowment income and interest receivable			
Income from expendable endowments	0.9%	0.7%	0.7%
Income from permanent endowments	0.5%	0.4%	0.4%
Other investment income	0.0%	0.1%	0.1%
Other interest receivable	1.1%	1.2%	0.6%
Endowment income and interest receivable as % of total income	2.4%	2.4%	1.8%
Total income £'000	780,630	737,786	700,887

FRS 102

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

	2016 % total	2015 % total
Expenditure		
Staff costs		
Salaries and wages	42.0%	41.3%
Social security costs	3.6%	3.3%
Pension costs	9.6%	9.1%
Movement on USS provision	1.2%	5.6%
Other unfunded pension costs	0.0%	0.1%
Severance costs	0.2%	0.2%
Staff costs as % of total expenditure	56.6%	59.5%
Other operating expenses		
Academic and related expenditure	9.9%	9.7%
Research grants and contracts	11.4%	9.6%
Library, computer and other academic support services	1.4%	1.2%
Administration and central services	3.6%	3.2%
Premises	5.1%	6.1%
Other including income generating operations	1.5%	1.5%
Residences and catering operations	4.1%	3.7%
Other operating expenses as % of total expenditure	37.1%	35.0%
Depreciation as % of total expenditure	4.8%	4.1%
Interest payable as % of total expenditure	1.5%	1.3%
Total expenditure £'000	843,993	830,621
Expenditure as % of total income	94.9%	100.7%

2007 SORP

GROUP INCOME AND EXPENDITURE ACCOUNT
FOR THE YEAR TO 31 JULY

	2014 % total	2013 % total	2012 % total
Expenditure			
Staff costs			
Salaries and wages	41.9%	41.6%	41.2%
Social security costs	3.4%	3.1%	3.4%
Other pension costs	9.2%	9.0%	8.5%
Severance costs	0.2%	0.2%	0.3%
Unfunded pensions	0.1%	-0.1%	0.3%
Staff costs as % of total expenditure	54.9%	53.9%	53.7%
Other operating expenses			
Academic and related expenditure	10.1%	9.7%	9.4%
Research grants and contracts	11.2%	10.8%	10.7%
Library, computer and other academic support services	1.8%	2.1%	3.5%
Administration and central services	3.3%	3.2%	2.6%
Premises	8.0%	8.7%	8.2%
Other including income generating operations	1.8%	2.0%	2.9%
Residences and catering operations	3.9%	4.0%	3.4%
Other operating expenses as % of total expenditure	40.1%	40.7%	40.7%
Depreciation as % of total expenditure	4.3%	4.7%	4.8%
Interest payable as % of total expenditure	0.7%	0.8%	0.7%
Total expenditure £'000	747,191	700,333	659,913
Expenditure as % of total income	95.7%	94.9%	94.2%

Our enablers

The realisation of our strategic goals is enabled by exceptional people, high-quality infrastructure and financial sustainability.

Reportable accidents/ incidents

2016	9
2015	19
2014	22
2013	31
2012	41



People

Edinburgh's success in achieving strategic goals depends on the outstanding performance and contribution of all staff.

Staff turnover %*

2016	7.09%
2015	7.73%
2014	8.68%
2013	8.02%

*By academic year



Finance

Delivery of all the University's aims and objectives is dependent on its financial strength and sustainability.

Total income per FTE (£'000)*

2016	92
2015	86
2014	87
2013	88
2012	89

* Figures exclude exceptional items.

NSS student satisfaction with learning resources*

2016	87%
2015	89%
2014	89%
2013	87%
2012	83%

*Source: National Student Survey rankings



% of staff appraised*

2016	95%
2015	95%
2014	92%
2013	72%

*Figures not available prior to 2013



Income per square metre of Gross Internal Area (GIA)*

2016	£1,341
2015	£1,258
2014	£1,218
2013	£1,176
2012	£1,125

*Relates to non-residential floor area and income only.

Staff head count to 31 July*

2016	13,604
2015	13,050
2014	12,911
2013	12,727
2012	12,311

*Includes guaranteed hours, fixed-term and open-ended contracts for the Group



Return on Capital Employed (ROCE)*

2016	5.86%
2015	5.17%
2014	2.99%
2013	3.34%
2012	3.75%

* As a result of the new Financial Reporting Standard, FRS102, the financial results & consequently ROCE for the last three years have been restated.



Infrastructure

High-quality infrastructure is key to enabling the University to achieve its strategic goals.

This publication is available online
at **www.ed.ac.uk/finance/accounts**
It can also be made available in
alternative formats on request.

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