



THE UNIVERSITY *of* EDINBURGH
Annual Report and Accounts
for the year to 31 July 2013

www.ed.ac.uk

Our Vision

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

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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.



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.



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.

Our percentage of UK/EU graduates in employment or further study six months after graduating is 93 per cent and remains higher than the UK and Scottish averages.*

University world league table position*

2013	17th
2012	21st
2011	20th
2010	22nd

*Source: QS World University Rankings.

Student numbers

2013	32,868
2012	31,335
2011	28,974
2010	28,394

More than 80 per cent of those who went into employment entered graduate-level jobs.

*Source: HESA Destination of Leavers of Higher Education survey, published July 2013.

Staff head count to 31 July

2013	12,560
2012	10,886
2011	7,828
2010	7,920

Campuses and land area values (£m)

Central Area	£737m
King's Buildings	£139m
Western General	£37m
Little France	£133m
Easter Bush	£111m

Highlights of 2013: a strong financial position

Total revenue (£m)

2013	738
2012	701
2011	649
2010	634

Total net assets (£bn)

2013	1.7
2012	1.6
2011	1.5
2010	1.4

EBITDA (£m) (Earnings before interest, tax, depreciation and amortisation)

2013	58
2012	63
2011	59
2010	43

Total research income (£m)

2013	200
2012	193
2011	181
2010	185

15%

The value of the University's research applications in financial year 2012/13 was 15 per cent higher than the previous year.

20%

The value of the University's research awards received in 2012/13 was 20 per cent higher than the previous year.

35:50

The University created 35 new companies and completed 50 commercial licences.

£350m

The University has a current live programme of capital projects valued at £350 million.

5%

In 2012/13 the ratio of operating surplus to total income was on target at five per cent.

To view our Annual Report and Accounts online, please visit:
www.ed.ac.uk/schools-departments/finance

Principal's report

93 per cent of our UK/EU graduates are in employment six months after graduating.

Introduction

The past year has been an eventful and successful one. It has seen a refresh of the University's vision and strategy; continued investment in the student experience; continued success in research and commercialisation; significant investment in our estate and strong support from our alumni and partners. A strong financial performance and a comprehensive review of our finance strategy places the University in a financially sustainable position.

We were of course delighted this autumn to see the University improve its position in the QS World University Rankings, to joint 17th, and to join the world-wide congratulation of Professor Peter Higgs on the award of a Nobel Prize for Physics.

Excellence in education

Excellence in education encompasses our ambitions for students at all levels, whether they study on campus or off, and whether they study on a full-time, part-time, short-course or online basis. Student numbers continue to grow and it is pleasing to see that they have exceeded 32,000 for the first time.

Our merger with Edinburgh College of Art (ECA), completed in 2011, continues to bear fruit with ECA sweeping the board at this year's Graduate Fashion Week. Most notably, student Lauren Smith won the George Gold Award for best collection, while ECA alumni Will Anderson and Ainslie Henderson won a BAFTA for Best Short Animation. Elsewhere, in the College of Humanities and Social Science, we celebrated 250 years of English literature study at the University and to mark it we made a special award for the Best of the James Tait Black. The best of the best award for Britain's oldest literary prize, which has been run by the University since 1919, went to Angela Carter for her novel *Nights At The Circus*.

The past year has also seen the launch of the University's highly successful MOOCs (Massive Open Online Courses). Edinburgh was the first UK University to join the partnership with US-based Coursera to deliver these short, online learning programmes free of charge, attracting more than 300,000 online learners from 200 countries, who engaged with subjects as diverse as philosophy and equine nutrition. The University has recently announced a new partnership to create more MOOCs with the UK platform FutureLearn.

The College of Medicine and Veterinary Medicine has been successful in developing online distance learning courses and have 21 online programmes. These online students become part of a supportive online community, bringing together students and tutors from all over the world. New online programmes are targeted at surgeons in urology, trauma and orthopaedics and at dental clinicians and vets.

A modern, efficient and stimulating working and learning environment is of course vital to sustain

world-class academic and professional services. High-quality infrastructure is key to enabling us to achieve this. Following seven phases over six years, costing £58 million, the Main Library has been substantially redeveloped, preserving the best of the Sir Basil Spence A-listed building, but transforming it for the 21st century. Also in George Square, the refurbishment of the David Hume Tower will provide a contemporary teaching hub for the Central Area campus.

Excellence in research

The preparation of our submission to the Research Excellence Framework has provided the opportunity to reflect on the vitality, breadth and impact of our research activities.

Our new Muir Maxwell Epilepsy Centre was opened by HRH The Princess Royal and will provide new hope for children suffering from the condition, while academics worned king across a range of disciplines have made pioneering breakthroughs. The School of Chemistry's Professor Mark Bradley has developed artificial bone using stem cells, which could soon be used to heal shattered limbs; cancer patients are set to benefit from work led by Professor Alan Murray in the School of Engineering to develop tiny sensory implants to monitor tumours. The quality of our world-leading research was recognised by a significant award of almost £60 million, for the University's MRC Human Genetics Unit and the Institute of Genetics and Molecular Medicine, to help scientists gain fresh insights into cancer and inherited disorders.

Investment in our people and infrastructure is essential as we continue to advance the frontiers of research. Our new People Strategy sets out a forward looking, ambitious people agenda which will further advance the University's global standing and reinforce our reputation as an employer of choice. The People Strategy is securely founded in our Vision "To recruit and develop the world's most promising students and most outstanding staff and be a truly global university benefitting society as a whole". The Global Excellence Initiative, supported by Scottish Government, underpinned the recruitment of an additional 77 Chancellor's Fellows; young tenure-track researchers with the potential to be world leaders in their fields.

A £12 million extension to the University's advanced computer facility was completed, enhancing the business and research opportunities for the University's super computer facility. The Anne Rowling Regenerative Neurology Clinic, a state-of-the-art research clinic, made possible by a very generous donation, was completed. Work at the Clinic will provide insight into a number of degenerative neurological conditions, including Multiple Sclerosis and Motor Neurone Disease. At the Western General Hospital, work has started on the Systems Medicine Project which will create a new research laboratory for the



Library transformation

Following seven phases over six years, costing £58 million, the Main Library has been substantially redeveloped preserving the best of the Sir Basil Spence A-listed building, transforming it for the 21st century.

Institute of Genetics and Molecular Medicine. The Easter Bush Campus provides the focus for a series of exciting projects supported by co-funding from the Scottish Government, the Biotechnology and Biological Sciences Research Consortium, (BBSRC), philanthropic contributions, and the University. More than £80 million will be invested in research facilities, learning spaces and energy management in the next five years. One early success in this development was the opening of the National Avian Research Facility in September 2013.

Excellence in innovation

The University's commercialisation and knowledge transfer activities continue to make a very positive impact on the economy. The University created 35 new companies in the period to July 2013 and has completed 50 commercial licenses for University technologies in the same period.

£13m

In 2012/13 the University received £13.2 million of cash donations from alumni.

£738m

The University's total income in financial year 2012/13 was £738 million (£701 million in 2011/12).

“

The news about our research funding figures, and our continued rise in the various world league tables, reflects the quality, hard work and dedication of our staff and students as well as the highly strategic support we receive from the Scottish Government.

”

Professor Sir Timothy O'Shea
Principal and Vice-Chancellor

Principal's report

(continued)

The support provided by the student-focused Launch.ed programme has continued its success. Launch.ed won the 2012 Santander University Entrepreneurship and the Scottish Institute for Enterprise New Ventures Awards.

Edinburgh Research and Innovation, the University's research and commercialisation arm, won the inaugural BBSRC Accelerating Impact Award to pilot a new knowledge-exchange initiative that will increase the commercial impact of bioscience research at Edinburgh.

The world's first "sea simulator", capable of reproducing tidal currents as well as waves, is on schedule to be operational in 2014. The All-Waters Combined Current and Wave Test Facility will be able to test generators powered by tides and waves in realistic ocean conditions and on an unprecedented scale – helping the University strengthen its position as a global centre for marine energy expertise. This world-class research facility, Flowave TT, has been built at King's Buildings. It comprises a circular 30-metre diameter pool, able to simulate combinations of waves and currents at between 1/40th and 1/10th scale for normal, challenging and extreme conditions of coastlines anywhere around the UK and Europe. It will be available for academic and industry research and also has applications for testing of devices and designs within the offshore wind, marine operations and general offshore industry sectors.

As we continue to strive to deliver our strategic objectives of Excellence in education, Excellence in research and Excellence in innovation; a number of key themes focus and direct our work. They provide clarity on our strategic direction but are also the articulation of the University's values and distinctive offering to our students, colleagues, alumni and partners.

The student experience

The University's Student Experience Project focuses on improving student feedback, communications, knowledge sharing and providing Personal Tutors and Junior Teaching Fellows. It will take time for the full effects of this programme to yield results, but the framework to enhance support to students across the University is being put in place. In this context the results of the National Student Survey are slightly disappointing; being broadly similar to those in 2012. Overall satisfaction was 82 per cent.

Our new system of Personal Tutors, supported by £4 million of investment, is now up and running, as is the Peer Support System, on which we have worked jointly with colleagues from EUSA (Edinburgh University Students' Association). It is a scheme whereby senior students can assist junior students with study. Our new Student Information Points have also been opened to good effect and will gradually expand their services.

The Careers Service continues to enhance programmes which provide students with opportunities to develop and enhance their employability skills. The Careers Service has developed a successful summer internship scheme in collaboration with various University departments. It advertised more than 11,000 jobs online in 2012/13 and continues to build upon links and long-term relationships with key employers. It is currently developing the range of fairs which allow employers to engage with students and is building an 'on-campus' presence. It continues to work closely with employers, arranging events for students throughout the year.

As a result, the University continues to be very successful in producing graduates with the skills and capabilities desired by employers across the globe. The Destination of Leavers from Higher Education (DLHE) Survey results show that 93 per cent of our UK/EU graduates (first degree, full-time course) are in employment six months after graduating. This figure remains higher than the UK and Scottish averages.

The University's School of Chemistry celebrated its illustrious 300-year history with a programme of events and activities. Teaching of chemistry began in 1713 with the appointment of Professor James Crawford to the Chair of Physic and Chemistry. Today, the School continues to demonstrate leadership. It was the University's first Athena Swan Bronze Award winner in 2006 and now holds a Gold Award; the first in Scotland. With three other Schools holding the Silver Award (Biomedical Sciences, Informatics and Biological Sciences) and five more achieving the Athena Swan Bronze Award the University is well on the way towards achieving the institutional Silver Award.

The University is making a significant infrastructure investment in student accommodation in the city at Deaconess House and Holyrood. Over the next few years, Deaconess House will provide more than 300 bedrooms and Holyrood will deliver nearly 1,200 new bedrooms for students. As part of the Holyrood development an outreach centre for postgraduate international students will be developed to enhance the student experience in Edinburgh.

Global impact

The University is a truly international university, firmly rooted in Scotland and our success in attracting exceptional staff and students to Edinburgh continues. Around 39 per cent of the student body now come from the EU or overseas and the number of overseas applicants for staff roles at the University continues to increase. The successful retention of our UK Border Agency (UKBA) Sponsorship Licence, and accreditation as a Premium Service Client, the highest UKBA rating, reflects the priority and attention devoted to ensuring our students are supported throughout their time in Edinburgh. Working in parallel, our ground-breaking Global Academies and online distance education programmes are engaging and attracting many students outside the UK.



Chemistry teaching

The teaching of chemistry at Edinburgh began more than 300 years ago; its student satisfaction rating now stands at 100%.

Elsewhere on the international stage we have opened our first Office of the Americas, based in Brazil, to build on our relationships in Latin America. In India we opened the India Institute to boost Scotland's cultural, business and academic ties with the subcontinent.

A dedicated pilot relocation service and dual career system for international staff have been designed to facilitate a smooth transition for new staff settling into their new life and work, with a plan to roll out a more extensive service in the coming year 2013/14. A number of key international appointments have already been secured through this service. The University continues to be successful in attracting international research grant funding and EU research grants.

35:50

The University created 35 new companies and completed 50 commercial licences in 2012/13.

£700m

The University's total expenditure in financial year 2012/13 was £700 million. (£660 million in 2011/12).

Lifelong community

In August 2012, London took centre stage as it hosted the Olympics and it was gratifying to witness world-beating performances from University alumni such as Sir Chris Hoy and Katherine Grainger. In the same month we were delighted to present an honorary degree to the Brazilian footballing legend Pele, in recognition of his contribution to humanitarian and environmental causes, as well as his sporting achievements.

August is festival season in Edinburgh which sees the University renewing and refreshing our year-round engagement with Edinburgh residents and visitors as we welcome more than a million Fringe attendees to events across the University.

Alumni relations are an important part of the University and the financial contribution alumni make is managed by the Development Trust. In 2012/13 the University received the second highest level of cash donations, £13.2 million. The number of donations has increased by 14 per cent on last year and more than £86 million has been donated since 2006.

Below we have highlighted some of the major gifts from donors who did not request anonymity.

- The University's Medical School continues to attract major gift income. The Row Fogo Charitable Trust contributed more than £100,000 towards equipment for brain imaging research.
- The Dr Mortimer and Theresa Sackler 1988 Foundation donated a further £450,000 towards the Sackler Centre for Psychobiological Research.
- Autism and Fragile X Research benefitted from a donation of £50,000 from Alfred Wild, as well as the completion of a £1 million pledge from the Shirley Foundation, with the payment of £650,000, both of which will be used in the Patrick Wild Centre.
- The Marchig Animal Welfare Trust continued its funding of the Royal (Dick) School of Veterinary Medicine with a further donation of £600,000.
- The Wolfson Foundation continued its long-term relationship with the University with a donation of £1 million towards the Centre for Infectious Diseases, as well as support for postgraduate scholarships in the College of Humanities and Social Science.
- Scottish Power continued its long running support for the Scottish Chair in Carbon Capture and Storage with a donation of £140,000.
- The Rushbrook Lectureship in Fire Investigation was established by a very generous donation from Dr Frank Rushbrook.
- The numbers of alumni donating to The Edinburgh Fund continue to rise.

Social responsibility

In January 2013, the University became the first in Europe and the second in the world to sign up to the United Nations Principles of Responsible Investment.

The University has achieved an upper-second-class award in the People & Planet Green League 2013 and came 46th in the rankings, third among Scottish Universities and fifth among Russell Group institutions. The hard work and innovation of nearly 30 departments was celebrated at the 2013 Edinburgh Sustainability Awards in April. A new guide was published to help staff make their working practices more sustainable. The University's first Director of Social Responsibility was appointed in June 2013.

The University also became the first Scottish university to win a Food for Life Bronze Award when the John McIntyre Centre at Pollock Halls achieved a Food for Life Bronze Catering Mark.

Partnership

Partnership, collaboration and interdisciplinary working characterise world-class teaching, research and innovation. We continue to deepen our established relationships with NHS Scotland, research-pooling partners, and other local institutions and businesses, as well as developing new international and national strategic collaborations. Our submission to the Research Excellence Framework in November 2013 included collaborative submissions with Heriot-Watt University, Scotland's Rural College and the University of St Andrews.

In July, we announced a new international partnership to boost understanding of Multiple Sclerosis and Motor Neurone Disease. Experts from the University and the Massachusetts-based biotechnology company Biogen Idec will work together to seek greater insight into the cell processes behind these debilitating conditions. The three-year collaboration will combine the University's expertise in translational medicine – which develops laboratory discoveries into treatments for patients – with Biogen Idec's strength in drug discovery and development.

The Edinburgh Centre for Carbon Innovation (ECCI) is hosted by the University of Edinburgh, in partnership with Heriot-Watt University and Edinburgh Napier University. The Centre brings together experts in law, business, technology and policymaking. Experts will seek to establish the ECCI as a forum through which academics and other professionals can work with businesses and local government to help develop a low-carbon society.

Equality and widening participation

Equality, inclusion and diversity are fundamental principles for the University community. This means that we aim to admit the very best students, regardless of their backgrounds, and invest

significantly in both our outreach work, broadening the base of our applicant pool, and in fully supporting our students in their learning and career planning. During 2012/13, more than 1,000 undergraduates from low-income families received a share of £2.5 million in bursary payments. This represents an increase of £1.7 million on the previous year, and includes the introduction of the Edinburgh Rest of UK (RUK) Bursary, designed specifically for students from England, Wales and Northern Ireland. In addition, the University has launched the Scotland Accommodation Bursary which will assist Scotland-domiciled students with living costs during their undergraduate study. This new bursary scheme reflects the University's commitment to widening access to Scotland-domiciled students.

We have also announced the creation of the Eric Liddell China Saltire Scholarships to enable students to study in China and to further links with this important global region.

This year also saw the introduction of a new Equality Impact Policy, to ensure that the University exemplifies best practice with respect to its governance, leadership and management of equality and diversity issues. A key priority is to ensure that the principles of pay parity and equity are evident in our policy and practice, through our equal pay audits and review processes, as these are making a positive impact on gender pay differentials.

Future

Investment in our staff, students and infrastructure places us in a strong position to grow and diversify income, to continue enhancing the student experience, and to be strong contenders in an increasingly competitive international research arena.

The University continues to have a robust financial outlook with income reaching record levels of £738 million, backed by strong reserves. The Financial review, on page 14, demonstrates that the University continues to be in good financial health. A positive cash position gives it the confidence to embark on major improvement to the estate that will deliver our 2025 Estates Vision.

The successes of 2012/13 are due to the commitment and diligence of our staff, students and supporters, for which I am immensely grateful.



Professor Sir Timothy O'Shea
Principal and Vice-Chancellor

Strategy and 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;
- 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 generates value for society through its relationships with students, research funders, businesses, the health service, governments, alumni, benefactors and communities.

The modern University of Edinburgh has an established identity reflecting more than four centuries of success in conducting research and educating its undergraduate and postgraduate students to high levels of attainment. Through its activities it has made a substantial contribution to the social and cultural enterprise and to the health of societies across the world. It aims to continue contributing to finding ways of addressing and resolving the major global challenges as well as being an active contributor to Scottish and UK economies. Our mission and identity attracts collaborators, partners and philanthropic investors who share our ambitions and goals.

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

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.

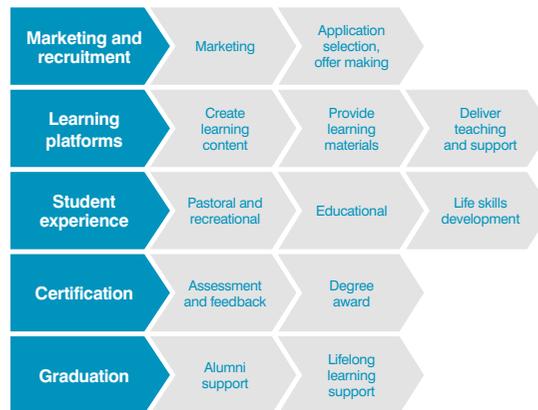
Research funding is secured through the dual funding mechanism from UK and Scottish Governments (Research Councils and Research Excellence Grant) and from competitive industry, public and charitable sources in the UK and internationally.

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.



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 (physical and virtual online), and the delivery of inspiring teaching and informative assessment. The wider student experience (feedback, interactive teaching and learning support, physical learning and living environment and experiences, 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.



Commercialisation

Edinburgh Research and Innovation is one of the UK leaders in the successful commercialisation of the intellectual property generated from the University's world-class research, through licensing technologies to existing companies and new University spin-outs.

BiGARR Economics has estimated that the combined impact of the University's licencing activity and new company formation supports approximately 3,600 jobs around the world, including 2,400 in the Scottish economy. Of the 262 spin-out and start-up companies formed at the University since the 1960s, a remarkable 81 per cent of these companies remain active today, generating more than £158 million to the global economy and employing in excess of 2,700 staff in industries such as electronics, bio-technology, engineering and tourism. Research activity is also translated into economic activity through licencing agreements between the University and industry. The University of Edinburgh holds licencing agreements with 71 different companies and organisations for technologies around the world. In 2010/11, the total value of licence income and royalties was £3 million.



Our marketplace Consistent quality

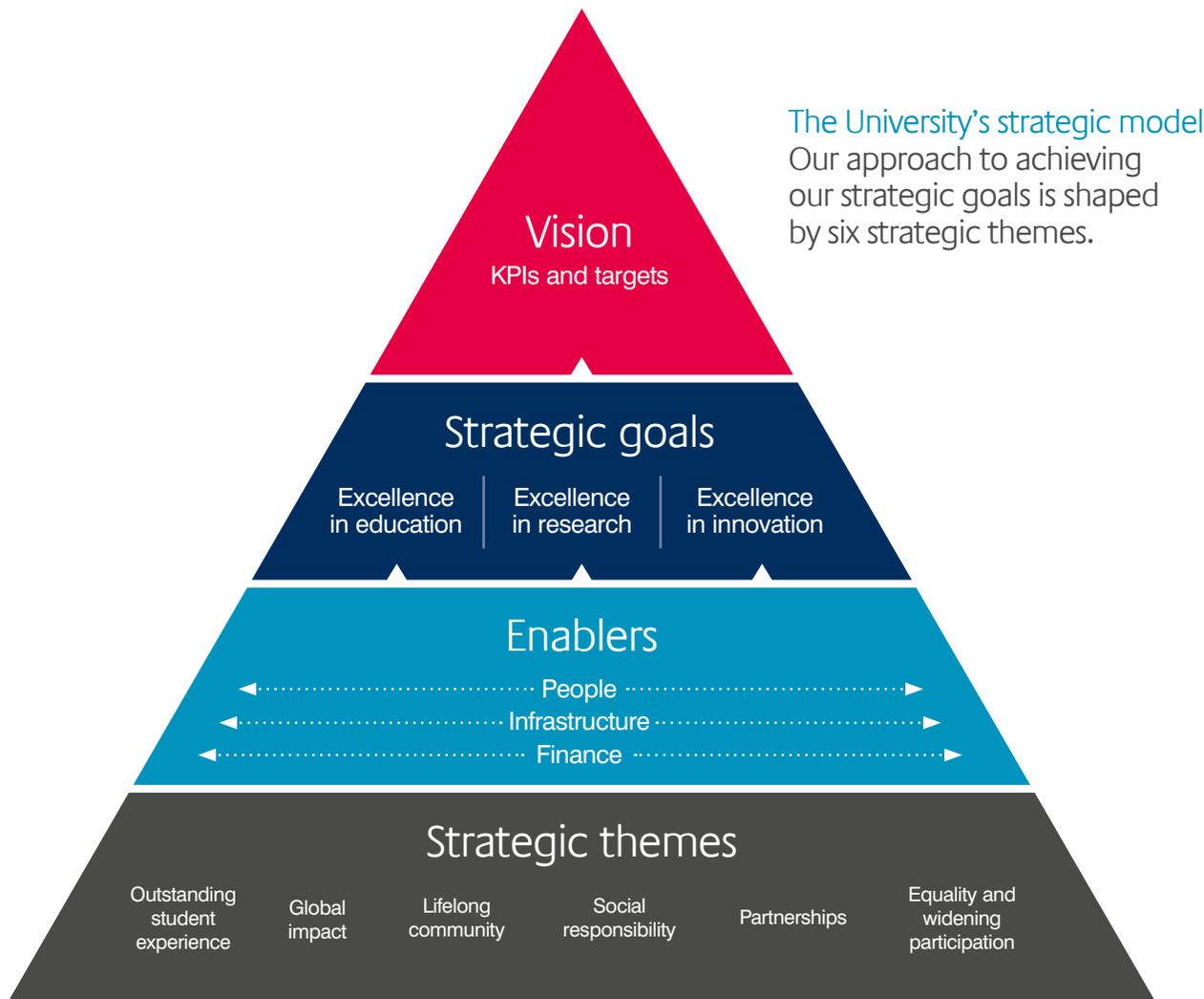
“Many of our recent successes in Scotland have been based on a collaborative approach that has been evident through both the development of the research pools and the creation of Innovation Centres. These have relied on both our universities and our key business sectors working together to advance thinking and ensure that our research translates into social and economic benefits.”

Michael Russell MSP
Cabinet Secretary for Education and Lifelong Learning,
writing in the University's *Infinite Magazine*
www.infinitemagazine.info



Strategy and value model

(continued)



Strategic plan

The University's Strategic Plan 2012–16 was published on 3rd September 2012 and can be found at www.ed.ac.uk/schools-departments/governance-strategic-planning/strategic-planning.

Key targets are set out below with our latest assessment of progress presented as amber (more work required), green (on track). There are no red areas.

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

↑ Increasing
 ↓ Decreasing
 ↔ Maintaining
 N/A Not available

Strategic goal	KPIs	Status	Targets	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	●
			Increase student satisfaction with the opportunities and support for developing their graduate attributes and employability	●
Excellence in research	Russell Group market share of research income (spend) (2011/12 data)	↑	Increase our average number of PhD students per member of academic staff to at least 2.5	●
			Increase our score (relative to the highest scoring institution) for the citations-based measure in the Times Higher Education (THE) World University Rankings to at least 94/100	●
Excellence in innovation	Knowledge exchange metrics: number of disclosures, patents, licenses and new company formations	↔	Achieve at least 200 public policy impacts per annum Increase our economic impact, measured by Gross Value Added (GVA), by at least 8%	● N/A

Enablers	KPIs	Status	Targets	Amber/green status
People	Proportion of staff who have had an annual review within the previous year, incorporating the identification of objectives and development needs	↑	Achieve the institutional Athena SWAN Silver award Increase our number of international applications for academic posts	● ●
Infrastructure	Total income per square metre of gross internal area	↑	Increase the proportion of our building condition at grades A and B on a year-on-year basis, aiming for at least 90% by 2020 (based on 2011/12 data) Increase student satisfaction with learning resources (library, information technology, study space and equipment) to at least 85%	● ●
Finance	Operating surplus as % of turnover	↑	Increase our total income per staff FTE, aiming for an increase of at least 10% in real terms Increase our Return on Capital Employed (ROCE)	● ●

Strategic Themes	KPIs	Status	Targets	Amber/green status
Outstanding student experience	Proportion of graduates (undergraduate and postgraduate) in graduate-level employment or further study (2011/12 data)	↑ Undergraduate ↓ Postgraduate Taught ↔ Postgraduate Research	Increase the level of overall satisfaction expressed in responses to the National Student Survey (NSS), Postgraduate Taught Experience Survey (PTES) and Postgraduate Research Experience Survey (PRES) to at least 88% Increase the number of our students who have achieved the Edinburgh Award to at least 500 Create at least 800 new opportunities for our students to gain an international experience as part of their Edinburgh degree	● ● ●
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 Increase our research grant income from EU and other overseas sources so that we enter the Russell Group upper quartile (2011/12 data) Increase our number of masters students on programmes established through our Global Academies by at least 500	● ● ●
Lifelong community	Physical and virtual footfall (virtual footfall data only)	↑	Increase the number of active alumni engagements with the University via the Alumni Services website, social media and e-newsletters	●
Social responsibility	Carbon emissions per £ million turnover	↔	Reduce absolute CO ₂ emissions by 29% by 2020, against a 2007 baseline (interim target of 20% savings by 2015)	●
Partnerships	Number and proportion 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%	●
Equality and widening participation	Undergraduate entrants from under-represented groups	↑ Widening Participation ↓ Ethnicity ↔ Disability	Staff Increase the proportion of female academic staff appointed and promoted to lecturer, senior lecturer, reader and professor levels Reduce the gender pay gap for University staff Students Converge on our participation benchmarks for under-represented groups (2011/12 data)	● ● ●

Our structure

The University is organised into three Colleges, three Support Groups and a Corporate Group which includes 13 subsidiary companies.

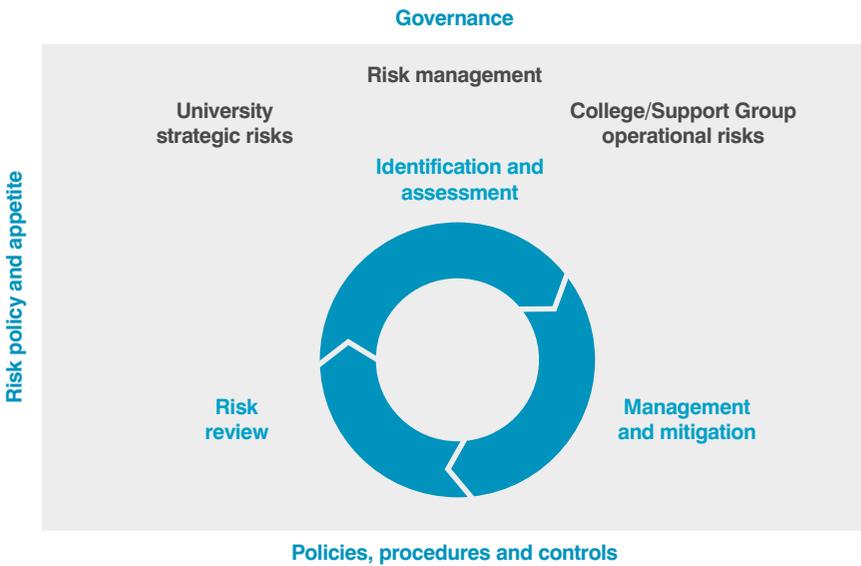
2012/13	Staff numbers	Student numbers	Expenditure
College of Medicine & Veterinary Medicine	2,594	4,818	£179m
College of Science & Engineering	2,966	7,806	£149m
College of Humanities & Social Science	3,508	20,244	£126m
Student and Academic Services Group	703	–	£31m
Corporate Services Group	2,110	–	£104m
Information Services Group	679	–	£40m
Corporate Group	–	–	£71m

Understanding our risks

Pushing the boundaries of knowledge, innovating, and implementing strategic developments will always have risks. Effective risk management increases the probability of successful outcomes, while protecting the reputation and sustainability of the University.

Risk management

The University's risk management is undertaken within a framework comprising governance, a defined risk policy, assurance processes and an underlying policy and control environment.



Process

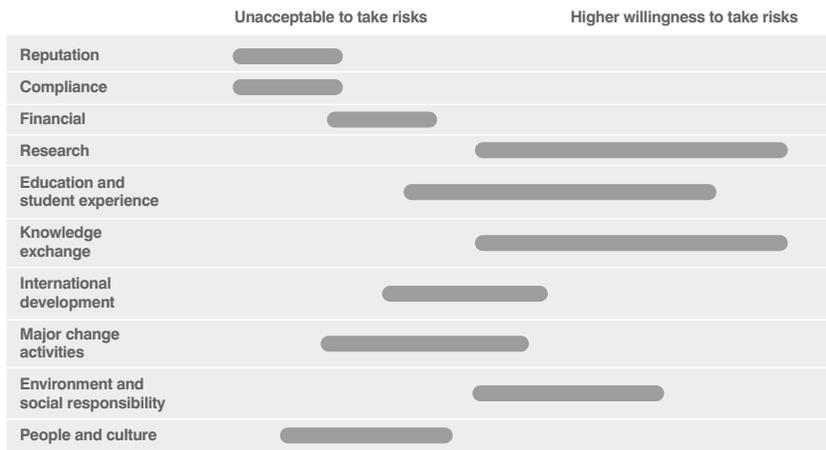
The University operates processes for the identification, evaluation and management of significant risks that threaten achievement of its strategic objectives. It records them in the University Risk Register. The Risk Management Committee review emerging and changing risks, as appropriate and informs the University's Central Management Group, its Audit Committee, and its Finance and General Purposes Committee.

The University Risk Register is formally reviewed and updated annually by each of these Committees and approved by Court. The most recent update was approved at the Court meeting on 24 June 2013 and aligns to the University Strategic Plan 2012-16.

The management of each of the risks in the University Risk Register is formally assessed by the risk owner at least once each year and reviewed by the Risk Management Committee. The Risk Management Committee satisfies itself that the risks are being actively managed, with the appropriate strategies in place to work effectively. 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 individual risk registers and risk assessment is incorporated into planning and decision-making processes. Risk assessment training and awareness is promoted through the management structure.

The University's appetite for risk



Risk area	Description	Risk management
Core activities		
Student experience	The quality of the student experience relates directly to the University's reputation and its student recruitment activities.	The University's Quality Assurance Committee oversees the learning and student services delivery and implements any Enhancement-Led Institutional Review recommendations. The cross-departmental implementation of projects to enhance student support, and the introduction of Personal Tutors is mitigating this risk. The Estates Plan will improve study and social spaces.
Research awards	Loss of research awards would risk reputation and slippage in league tables as well as causing financial detriment.	The University's Research Policy Group promotes and engages with activities relating to embedding and sustaining research excellence and building knowledge of the forthcoming European Horizon 2020 programmes, Edinburgh Research and Innovation has provided enhanced support to promote and enhance commercial engagement.
2014 Research Excellence Framework (REF) assessment	Failure to uphold our research standing could put the University's reputation at risk. It could mean loss of funding and lead to an inability to recruit and retain staff and students.	These risks are actively managed by the University's Research Policy Group, which oversees preparation for the REF assessment. Specific risk mitigation involved significant additional resource being deployed to focus on REF quality assurance.
Technology and systems developments	The loss of significant infrastructure may result in failure to provide the functionality, services and business information expected of a global university. Any major disruption to research, teaching and learning, student administration or finance could potentially have a material impact on the University's reputation.	The University mitigates these risks through the operation of the Knowledge Strategy Committee and the Information Technology Committee. The University plans to implement new projects and review financial systems on a rigorous planned basis involving a broad range of IS staff and users.
Maintenance, enhancement and investment in the estate	Inadequate working and study space would risk the University's achievement of institutional growth targets, including its ability to recruit and retain staff and win awards for hosting prestigious activities and centres. There would also be cost risks and risks of legal non-compliance.	<p>The University's Estates Committee and Space Management Group mitigate these risks by prioritisation and project processes; capital programme development and project management processes; an annual compliance review; on-going building inspections, physical condition and compliance surveys, fire risk assessments; decision making for major projects is taken in line with RIBA guidance; active interaction with Edinburgh City Council Planning Department and the local community. College estate planning also mitigates risk.</p> <p>The University's fundraising activities provide financial support for some new developments, and the University targets a surplus of 5% of total income to support increased investment.</p> <p>The University has a 2010/20 estates plan in place and is developing its 2025 vision.</p>
Risk area	Description	Risk management

Understanding our risks

(continued)

Higher education environment

Retain or attract sufficient key staff	Failure to retain and attract key staff may result in targets for research quality assessment not being met, loss of academic leadership, and failure to meet teaching goals. This may result in loss of funding and reputational loss.	The University ensures it remains an attractive working environment. An annual review of academic staff (including salary) is undertaken. Flexible HR strategies have been implemented to meet the needs of different business areas. Establishment of a relocation support team and upgrading of support mechanisms have been developed. The University continues to improve its staff development activities. A review of grade profiles and academic promotions are underway.
Loss of sensitive data	The loss of sensitive data could result in significant reputational and financial loss to the University.	This risk is actively managed by continually undertaking resilience improvement programmes and infrastructure upgrades. Internal and external audit processes are regularly performed which include external penetration testing, applied to central and Schools/Colleges IT systems and procedures. The University plans further development of policies and guidance on data security, including data held on mobile computing or memory devices.
Government policy and legislation	Changes in governmental policy in matters related directly or indirectly to higher education can impact the University's activities.	The University promotes open debate of the issues related to changing the balance of powers between Westminster and Holyrood. It also provides responses both directly and through Universities Scotland, Universities UK and the Russell Group to governmental consultations related directly and indirectly to the higher education sector. The University is engaging actively in the recently published Scottish Code of Good HE Governance.
UK immigration policies and practice	Home Office and UKBA policies related to immigration have resulted in complex processes for institutional recruitment of staff and students. Failure to observe these would impact on international student entry and the richness of the mix of staff.	The University engages with UKBA through representative bodies to ensure the active management of issues arising. It has obtained UKBA Premium Customer Service status. A rolling audit of compliance across the University by an expert team is planned.
Risk area	Description	Risk management

Financial

Financial sustainability

Taking excessive risks with University finances could result in an unplanned reduction in the University's resources available for strategic developments and investment.

The University mitigates these risks through implementation of the Finance Strategy. This encompasses financial planning, budgetary processes and 10-year forecasting. The work of the Fees Strategy Group includes financial-scenario planning and benchmarking with other comparable institutions. The University's Internationalisation Strategy implementation, the development of full economic costing to teaching and high-level reporting of research applications and award trends, all mitigate this risk.

The University's Space Management Group drives improvements in the use of the estate, including cost efficiency, integration and cost-sharing opportunities. The Heads of Colleges and the Director of Edinburgh Research and Innovation plan to expand the range of research-grant funders and achieve additional multi-disciplinary research awards. The University also plans to coordinate financial and estate strategies to deliver a sustainable funding stream for maintenance and development of the estate. It will also continue to engage with banks and other funders on external loan finance.

The University is a member of the Employers Pension Forum and carefully monitors the deficit and deficit management plans of the Universities Superannuation Scheme.

The deficit on the University's own Staff Benefit Scheme is also subject to regular scrutiny.

The University is also supporting a new project to improve the effectiveness and transparency of its Resource Allocation Model.

Financial review

The University's financial strategy aims to enhance financial strength, thereby maintaining financial sustainability and enabling the delivery of strategic goals.

Annual accounts

The Annual Accounts comprise the financial results of the University, consolidated with the results of its subsidiaries. The subsidiaries' operations include letting of 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 the testing of marine energy. For commercial, legal and taxation reasons these activities are channelled through limited companies. The subsidiaries transfer their taxable profits to the University each year by Gift Aid.

Results for the year

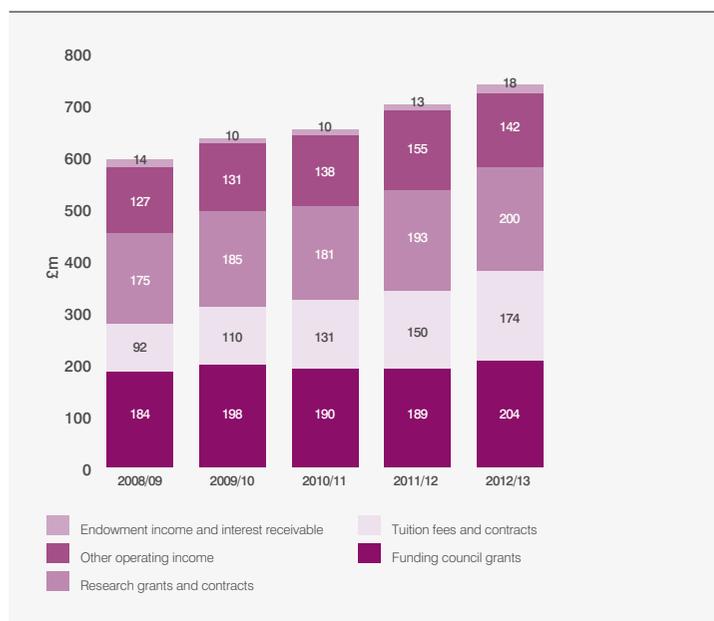
The University has delivered another strong financial performance this year. We have grown student numbers, sustained high-quality research activities, invested in improving the student experience and grown the volume and quality of academic staff. In an increasingly competitive environment we are pleased to have increased income by more than five per cent, and generated a surplus for reinvesting of more than five per cent, both of which underline the quality of our financial sustainability.

Summary financial position

	2013 £m	% of income	2012 £m	% of income
Income	737.8		700.8	
Expenditure	700.3		659.9	
Operating surplus	37.5	5.1%	40.9	5.8%
Gain on disposals of fixed assets	0.5		0.2	
Other items	0.3		0.5	
Surplus retained within general reserves	38.3	5.2%	41.6	5.9%
Fixed assets	1,399		1,379	
Endowment assets	284		238	
Net current assets	200		179	
Creditors over one year	(109)		(110)	
Pension liabilities and provisions	(74)		(110)	
Net assets	1,700		1,576	

Income

Consolidated University income 2012/13



One of the University's financial KPIs was to increase income by three per cent per annum which has been exceeded. However, we did not meet our target of increasing income per full-time employee (FTE). Staff numbers increased as a result of a deliberate strategy to invest in increasing academic staff through the Chancellor's Fellows programme, increasing professional staff in selected areas to enhance the student experience and to build on our research success. The increase in staff numbers caused the total income per FTE to drop by less than one per cent.

With the exception of other income, which reduced by about seven per cent (£12 million) largely as a result of the drop in donations and specific grants, all other areas of income increased in comparison with the 2011/12 figures.

Scottish Funding Council (SFC) grants

For the first time in four years, funding council grant income rose. It increased by nearly £15 million (about eight per cent) to in excess of £200 million and now makes up about 28 per cent of the total income. However, in relative terms, this income has declined as a proportion of the University's total income, by four per cent over the last five years, as a consequence of increased income diversification. The main movements in recurrent grant income were:

- research (+£10m) reflecting improved performance in the indicators used to generate the Research Excellence grant;
- teaching (+£4m) reflecting improved funding in the sector partly due to the release of funds freed up as a result of changes in support for RUK students.

Our strategy in action

Excellence in innovation



“In the past 12 months we have continued our work to build extensive links with industry to enable the translation of the University’s world-class research, through collaborations on both research and consultancy projects, licensing of our intellectual property and encouraging the entrepreneurial spirit within the University’s staff and students to start their own business. Despite the general economic gloom we have maintained high levels of success, having worked with more than 500 companies this year, for the third year in a row (and nearly 2,400 over five years). We have also facilitated the creation of another 35 new businesses by University staff and students, to increase our five year total to 171 companies.

Our ability to encourage industrial impact from university research was recognised by the BBSRC this year when ERI’s Business Development team won their inaugural Activating Impact Competition 2013 against tough competition from the UK’s leading universities.”

Derek Waddell
Chief Executive Officer, Edinburgh Research and Innovation

Financial review

(continued)

Tuition fees and education contracts

Our strong performance in maintaining growth in student numbers has continued, and student numbers are up nearly five per cent on last year. Postgraduate students account for 34 per cent of the intake and EU and international students nearly 39 per cent. A strategic target is to increase non-EU student numbers by 2,000 and our performance is on track as the number rose by nearly 1,000 in the last year.

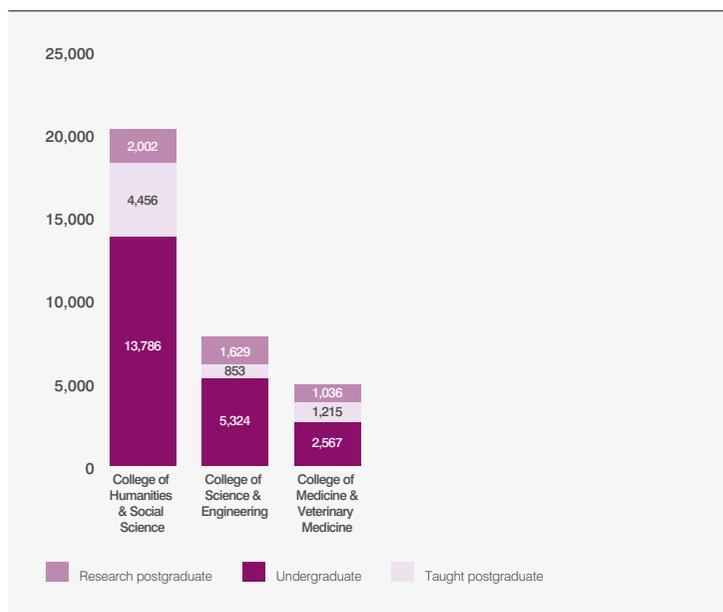
Student numbers 2012/13	Taught undergraduate	Taught postgraduate	Research postgraduate	Total
Scotland	8,660	1,835	1,666	12,161
Rest of the UK ¹	6,169	1,060	810	8,039
EU non-UK	2,184	1,058	780	4,022
International	4,664	2,571	1,411	8,646
Total	21,677	6,524	4,667	32,868
Year on year increase	5.7%	3.9%	2.9%	4.9%

Student Numbers 2011/12	Taught undergraduate	Taught postgraduate	Research postgraduate	Total
Scotland	8,484	1,922	1,634	12,040
Rest of the UK ¹	6,103	981	746	7,830
EU non-UK	2,044	958	755	3,757
International	3,876	2,419	1,401	7,696
Total	20,507	6,280	4,536	31,323

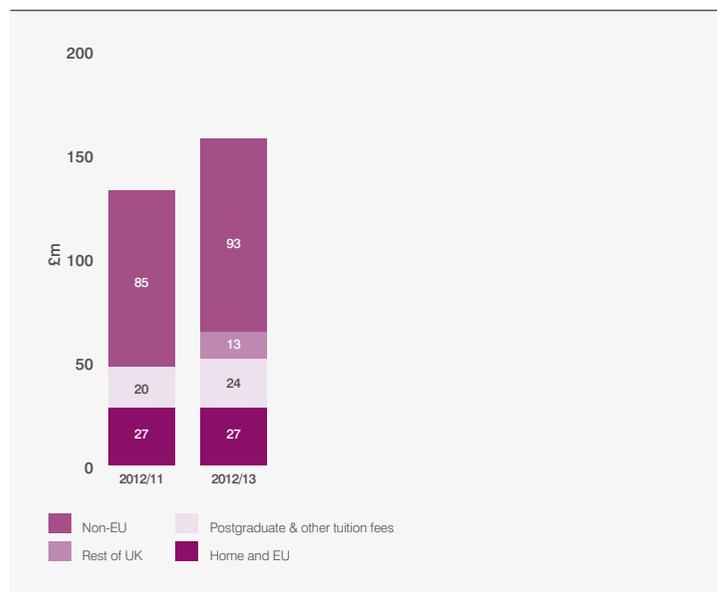
¹Includes Channel Islands and Isle of Man.

Note: RUK tuition fee income was reported separately from Home and EU tuition fee income for the first time this year and was about £13 million. Income from outside the EU was up by more than nine per cent (£8 million), as was income from postgraduates, up 18 per cent (£3.6 million) reflecting the increasing student numbers in these areas.

Students by level of study and College



Tuition fees

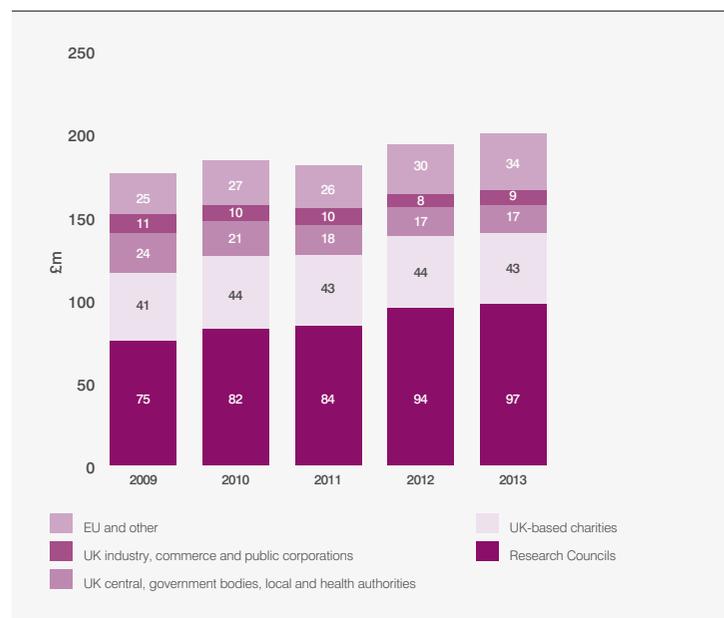


The change to the fee regime impacts on the presentation of income. All tuition fees for new students from the rest of the UK are now part of tuition fee income whereas old regime students are partially funded via teaching grant from SFC and part from tuition fees (as per Scots/EU).

5%

Student numbers increased by almost five per cent with non-EU students up by nearly 1,000 in 2012/13.

Research grants and contracts Research income received



Despite the difficult financial climate the University has continued to be successful in winning research grants and contracts. Research income has increased to more than £200 million, up nearly 3.6 per cent (£7 million) from 2011/12. It now accounts for 27 per cent of total University income, although, as a proportion of total income, research income has dropped slightly in the last five years, due to the faster growth in student numbers and the changing fee regime.

Income from Research Councils UK (RCUK) makes up around 13 per cent of the University's total income (but nearly half of its research income), and rose in 2012/13 by almost three per cent (£2.6 million). Nationally, RCUK awards around £3 billion annually for research funding, and the University of Edinburgh's share is approximately three per cent.

Income from EU sources rose by about 20 per cent (about £4 million) and we believe that this will be an increasing source of future research income.

Income from UK Charities dropped slightly while income from other sources decreased by just under one per cent (£0.3 million).

We expect the positive growth trend in research income to continue as our research awards pipeline has been growing faster than spend for the last three years. The value of research applications to 31 July 2013 was 15 per cent higher than at the same time in the prior year at £999 million and the value of awards received was 20 per cent higher than at the same time last year at £301 million. As at 31 July 2013, our conversion rate of applications to actual awards was 41 per cent (the number of applications was up three per cent on 2012).

Other income

Nearly a fifth of the University's income is derived from other sources. Other Income (£142 million) is down from last year (£155 million) mainly due to a drop in specific grants, donations and other designated income.

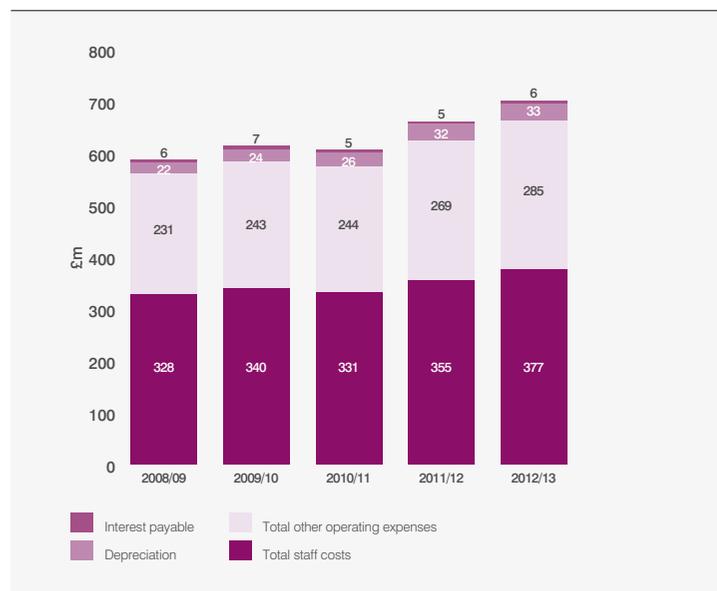
Of the total, £48 million (34 per cent) is from residences, catering and conferences, £34 million (24 per cent) relates to income from our subsidiary companies, and £28 million (20 per cent) is from specific grants and donations. The income from these other sources provides a very valuable contribution towards funding university activities.

Endowment and investment income

Investment and endowment income grew strongly, up 39 per cent (nearly £5 million) due to improvements in interest received as a result of higher cash balances held, despite reduced deposit interest rates, and better endowment fund investment performance.

Expenditure

Consolidated University expenditure 2012/13



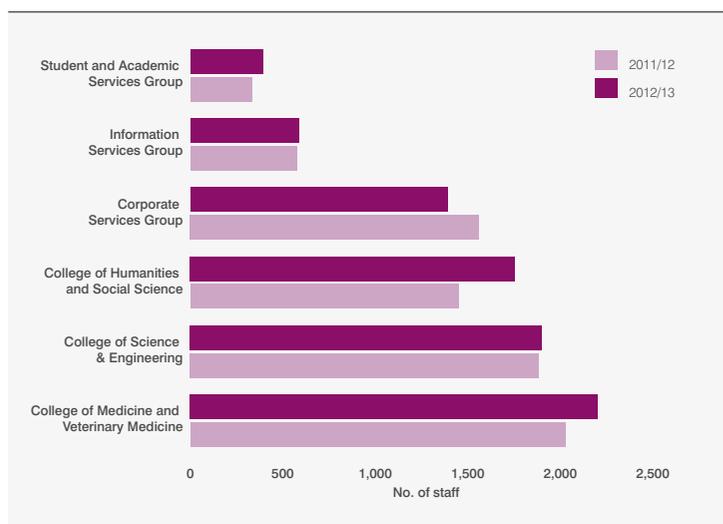
Overall, since 2011/12 University expenditure has increased by about six per cent (£40 million) to just in excess of £700 million (95 per cent of total income).

Financial review

(continued)

Staff costs

A University's most valuable resource is its staff and our salary and related costs to sustain this resource in 2012/13 were £377 million. Although up by about £23 million, staff costs as a proportion of total income is similar to previous years at 51 per cent. With the exception of Corporate Services Group staff numbers increased as a result of investment associated with growth and strategic plan objectives.



Staff were awarded a one per cent pay increase on 1 August 2012. Annual increments and increased staff numbers contributed to a seven per cent increase in the total salary costs. Salaries make up 77 per cent of total staff costs with pensions and other on-costs comprising 23 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 (SBS). Alternatively a new, defined contribution scheme is available, introduced in March 2013, National Employee Savings Trust (NEST).

Pensions are a significant staff benefit (more than 17 per cent of direct salary costs) and increased by more than £7 million (12.7 per cent) from 2011/12. This is in part due to the impact of auto-enrolment which saw in excess of 600 people join NEST and increasing numbers join USS.

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

Currently about 250 (two per cent) of our staff numbers have declared that they have a disability.

Other costs

Other costs	£m	%
Academic and professional services	106	37
Research administration	76	27
Premises	61	21
Residences	28	10
Subsidiaries	14	5
Total	285	100

Within this, expenditure on prizes, scholarship, studentships and bursaries was in excess of £20 million. 2012/13 academic session saw 251 new access bursaries; 143 accommodation bursaries; 385 RUK bursaries; 15 Lloyds' scholarships; and five UNITE bursaries. In addition we also renewed the awards for 484 current access bursary recipients, reflecting the University's commitment to a generous student bursary scheme.

The University continues to look for savings and value-for-money opportunities to make most effective use of resources. In particular, the procurement team has delivered savings to the University in excess of £10 million, for the second consecutive year. The team has maintained a procurement influence of 80 per cent for influenceable non-pay spend and has completed 36 EU-level procurements in the last academic year.

The University has published standard terms and conditions of trade that will apply to payments to suppliers unless other terms and conditions are agreed prior to business taking place. The University's policy is to pay agreed invoices in accordance with the agreed terms of payment. At the year end the amount due to trade creditors was equivalent to 15 days of purchases from suppliers. Nothing was paid under the Late Payments of Commercial Debts (Interest) Act.

Depreciation

Depreciation over the last five years has been about four to five per cent of total spend (£33 million in 2012/13) 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 just under one per cent of total expenditure and is up about 16 per cent on last year. This increase is mainly due to interest payments due on the European Investment Bank Loan taken out in 2011/12 of £50 million.

£350m 21%

The University has a current live programme of capital projects valued at £350 million, 35 per cent of which are in progress and 65 per cent are at design stage.

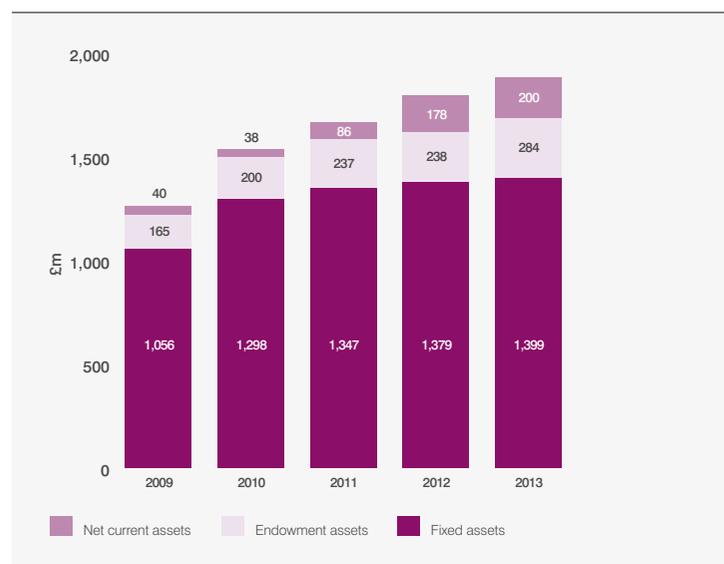
The return on the University's endowment in the financial year 2012/13 was 21 per cent with a year-end market value of the fund of £284 million.

Balance sheet

Consolidated University balance sheet 2012/13

The balance sheet position continues to be backed by strong cash reserves.

The liquidity ratio increased to 1.79 (1.74) as a result of the high value of short-term investments held and despite a slight increase in creditors.



Capital programme and estates maintenance

The University has again delivered a significant programme of capital spend and has a development pipeline of Estates projects totalling more than £1 billion over the next 12 years to support infrastructure developments that will deliver high quality educational and research facilities. University cash provides the leverage on funds raised externally through grants and donations. The physical estate encompassing buildings from several centuries ago is a substantial component of the University of Edinburgh brand. It requires a substantial level of investment to remain of a high quality. The table below highlights our investment in related areas:

	2012/13 £m	2011/12 £m	Change %	Change £m
Building and equipment additions	63	38	66%	25
Capital grants received	31	21	48%	10
Repairs and maintenance	29	26	12%	3
Value of buildings and equipment	1,239	1,213	2%	26

The University has a current live capital programme amounting to £350 million with 35 per cent in progress and 65 per cent at the design stage.

	Projected completed value £m
Projects underway	
Final phase of the Main Library redevelopment	58
Redevelopment of 50 George Square for the School of Literatures, Languages and Cultures	20
Extension to the Advanced Computer Facility	12
Edinburgh Centre for Carbon Innovation	10
FloWave test tank facility	9
David Hume Tower lower ground floor – contemporary teaching hub	8
University Day Nursery at King's Buildings	4
Anne Rowling Regenerative Neurology Clinic	3
Sub total	124
Projects at design stage	
Darwin Building and Bio-Hub for Biological Sciences	70
Veterinary research building at Easter Bush and commercialisation space	58
Redevelopment of the School of Law	35
Redevelopment of McEwan Hall	27
Recladding of Appleton Tower	20
Avian Research Facility	10
Redevelopment of St Cecilia's Hall	6
Sub total	226
Total	350

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 collections that have been valued are estimated at £171 million.

Financial review

(continued)

Endowment assets

Investment performance continues to be strong, partly reflecting the recent high yield from equities.

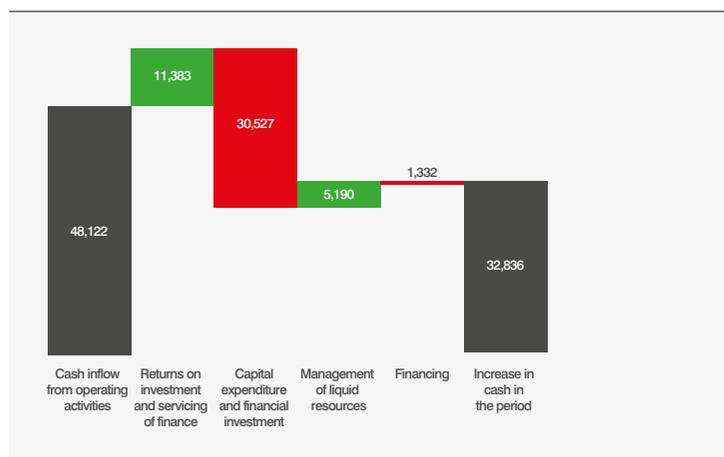
Year	2012/13	2011/12	2010/11	2009/10	2008/09
Market value	£284m	£238m	£236m	£200m	£165m
Return	21.0%	1.3%	15.1%	24.5%	-4.3%
Number of endowments	778	760	749	741	734
Annual expenditure	£8.5m	£8m	£6m	£6m	£7m

The five-year fund return is 10.9 per cent per annum (10-year-9.3 per cent per annum).

Net current assets

Net current assets have increased by £21 million on last year. Current assets increased mainly due to a rise in debtors (£10 million), and cash which rose by £28 million to £350 million, preserving the strong cash reserves held by the University. Current liabilities increased by about £14 million.

Cash movement



The strong cash position continues to give the University flexibility to invest strategically and support its £1 billion estates programme.

Just over one third of the University's cash is committed. £109 million is contractually committed via leases, capital contracts and borrowings and more than £10 million relates to restricted funds not spent but provided by external funders, mainly research sponsors and donors.

Pensions liabilities

The University's defined benefit pension schemes (USS and SBS) continue to record deficits relative to their forecast liabilities. Deficits on the Lothian Pensions Fund and Strathclyde Pension Fund continue to rise.

The triennial valuation of the SBS scheme took place on 31 March 2012 and was rolled forward to provide an estimated deficit at 31 March 2013 of £58.6 million which was £30.2 million lower than the previous valuation. The reduction in the deficit was mainly as a result of the improved performance of scheme assets.

The USS deficit at its last triennial valuation at 31 March 2011 was approximately £2.9 billion equivalent to a 92 per cent funding level (eight per cent shortfall of fund assets to fund liabilities). However, this has worsened and the funding level was 77 per cent as at 31 March 2013. An agreed 10 year approved funding plan is in place. USS is making preparations, ahead of the next valuation, to compile a formal financial management plan which will bring together the various funding strands of covenant strength, investment strategy and funding assumptions, in line with the latest guidance from the Pensions Regulator.

Institutional sustainability

The University of Edinburgh's governing body, the University Court, has comprehensive arrangements in place to monitor, assess and ensure the institution's sustainability. The University Court and its committees annually consider and review progress against the University's Strategic Plan, 2012-16 targets and 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 and will be reviewed later this academic year.

The annual self-evaluation progress report on the University's Outcome Agreement with the Scottish Funding Council is also reviewed and considered by Court and its committees. This progress report covers activity in support of broad outcomes, and for 2012/13 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 recent reductions in capital grants to the sector this has become even more important. The British Universities Finance Directors Group (BUFDG) has 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."

EBITDA

Our EBITDA trend shows the University's operational performance continues to be strong, particularly over the last three years, and this is also reflected in the healthy cash balances at the end of 2012/13.

	Year	£m
Actual	2011/12	63
Actual	2012/13	58
Forecast	2013/14	83
Forecast	2014/15	83
Forecast	2015/16	82

1.79

The University maintains a high liquidity ratio to provide resilience and confidence for capital investment.

9.3%

The ten-year average return on the University's endowment fund is 9.3 per cent with a 21 per cent return in the last financial year.

Financial health

Below are the measures which when taken together, show the effectiveness of the management of the University's resources to achieve long-term financial sustainability.

Key measures are set out below with our latest assessment of progress presented as amber (more work required), green (on track). There are no red areas.

	2011/12 actual	2012/13 actual	Amber/Green status	HEFCE sector ¹ forecast for 2012/3	Comment	2013/14 forecast	2014/15 forecast	2015/16 forecast
Historical cost surplus as % of income	7.4%	6.4%	●	7.8% ²	Although slightly below sector forecast the University currently has sufficient reserves in place to support its strategic objectives.	5.5%	5.1%	5.1%
Discretionary reserves (excluding pensions) as % of income	75.5%	81.0%	●	71.8% ²	Sufficient reserves underpin the University's activity, putting it in a strong position in relation to the sector.	77.3%	79.2%	81.1%
External borrowing as a % of income	15.4%	14.4%	●	25.8% ³	The University has the capacity to raise debt for capital projects if required.	13.5%	11.6%	10.7%
Net cash flow as % of income	-0.3%	4.5%	●	11.5% ²	This is slightly lower than the sector average but given the cash reserves that the University already has, this is not a cause for concern.	6.1%	7.2%	7.1%
Net liquidity days ⁴	187	191	●	157 ²	The University has sufficient cash reserves.	174	176	163
Staff costs as a % of income	50.6%	51.1%	●	53% ³	Staff costs are consistent with comparable universities.	51.5%	51.7%	51.8%

¹ Source: HEFCE.

² HEFCE upper quartile.

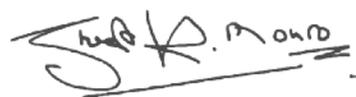
³ HEFCE sector average.

⁴ Number of days expenditure could be sustained from available funds.

Future

The University is again well placed financially to deal with its short and longer term commitments. There are a number of governance and reporting changes in the sector which will impact significantly the format of these accounts over the next few years and which will see the format evolve and change. These include implementing the Financial Reporting Standard FRS 102 in 2015/16, the revisions to the UK Corporate Governance Code and a new draft Statement of Recommended Practice (the current one is dated 2007) which will provide best practice guidance to the higher education sector on financial reporting, as well as emerging best practice from the Integrated Reporting Council.

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.



Professor Stuart Monro

Convenor of Finance and General Purposes Committee

Social responsibility and sustainability report

The University continues to play a leading role in the Environmental Association of Universities and Colleges, contributing towards the development of a sector-wide reporting framework and providing expertise. www.eauc.org.uk/home

The University's Strategic Plan 2012/16 incorporates the strategic theme of social responsibility, with the aim of 'creating the conditions under which our students, staff and the wider community are inspired and supported to engage with and contribute to social responsibility and sustainability across the University and beyond.'

Reflecting the importance placed on delivering this strategic theme, in the last financial year, the University has established a new Department of Social Responsibility and Sustainability, to provide a holistic support service that will connect academic research and teaching with operational activities. Guidance will be provided to the new department through the governance structures of the University's Sustainability and Environmental Advisory Group (SEAG), which includes the Climate Action Plan Working Group and the Fair Trade Steering Group sub-committees.

In the year ending 31 July 2013, the University saw success in the areas detailed below.

External awards and recognition

The University continues its commitment to the promotion of women's academic careers and successfully renewed its Bronze Athena Swann Award.

www.ed.ac.uk/schools-departments/equality-diversity/innovation-development/athena-swan

The S-Lab Awards, which recognise laboratories for their sustainability, safety and success, recognised the University's efforts in these areas. The Scottish Centre for Regenerative Medicine (SCRM) won the New Laboratory Building Award, and the School of Chemistry's Chemical Management System won the Laboratory Environmental Improvement Award.

www.ed.ac.uk/about/sustainability/news/latest?id=32--edinburgh-staff-s-labs-2013&cw_xml=/

In June the University won the Outstanding Procurement Team Award at *The Times* Higher Education Leadership and Management Awards. The judges were 'immensely impressed' by the high standard of achievement by the University's procurement team, which emerged as the 'clear winner'.

The People & Planet organisation awarded the University an upper second-class award in the Green League, highlighting progress in addressing ethical and environmental issues. The University gained full marks on ethical investment, fair trade and ethical procurement, environmental policy and environmental management staff.

www.ed.ac.uk/news/staff/green-league-120613

The University was the recipient of the Scotland's Healthy Working Lives Gold Level Award, for its encouragement of good health and wellbeing at work.

The University achieved the British Safety Council's International Safety Award with merit.

One of the University's First-Aid Trainers became Scotland's First-Aid Trainer of the Year 2012.

Working in collaboration with external bodies

University staff and Edinburgh University Student Association (EUSA) worked with Advanced Procurement for Universities and Colleges Ltd (APUC) and their equivalents from other institutions to develop a Supply Chain Sustainability Policy and Code of Conduct for use by APUC and universities and colleges in Scotland. This will be implemented for APUC-contracted suppliers and is commended as best practice in sustainable procurement.

In February 2013 the University was highly commended by the Minister for Energy, Enterprise and Tourism, Fergus Ewing, and the Carbon Trust Scotland at the Scottish Energy Environment Conference (SEEC) for its strong submission in the Carbon Trust Scotland's Public Sector Staff Awareness Campaign Award. www.carbontrust.com/news/2013/02/scottish-borders-council-wins-new-carbon-trust-scotland-public-sector-award

1k tonnes

A new combined heat and power plant for the University's estate will save more than 1,000 tonnes of CO₂ per annum.

88%

The percentage of University staff and students using low carbon transport.

Social responsibility in practice

A sustainable University

“The University is determined to make a difference in addressing global challenges such as poverty, infectious diseases, climate change and the growing demand for energy, food and water. Everyone in the University can – and does – take part in this process. Most of the University’s research output is focused on understanding and trying to solve global challenges such as disease and climate change. Thousands of staff and students are involved in transforming our own activities through programmes such as the Edinburgh Sustainability Awards.”

Dave Gorman
University of Edinburgh Director of
Social Responsibility and Sustainability

To find out about all the initiatives underway at the University, visit:
www.ed.ac.uk/about/sustainability/home

Social responsibility and sustainability report

(continued)

The University's internal operations

The University remains committed to mainstreaming social responsibility and sustainability issues across its operational activities, from the design of new buildings to energy, waste and travel, to its decisions on procurement, investment and the accommodation and catering services it provides.

Energy and carbon

Continued growth in the size of the University and the intensity of use of its facilities makes reducing carbon emissions an ongoing challenge. However in line with our published Climate Action Plan we continue to pursue a range of investments. During the year, the University open its fourth Combined Heat and Power Plant, which serves the Central Area and Holyrood campuses. This project has enabled the University to reduce the draw on national utilities, saving in excess of 1,000 tonnes of CO₂ per annum, providing a low-carbon solution to the University's energy requirements. The installation represents one of the outcomes of our Climate Action Plan, and demonstrates progress towards our goal of 29 per cent carbon savings by 2020.

Travel

Our 2013 travel survey reveals that 88 per cent of staff and students use low-carbon transport for travel to work, by choosing to travel on foot, by bike or by public transport. Only seven per cent of staff and students drive a car without any passengers.

Funding has been secured for four publicly available electric vehicle-charging points, to be located across the University's estate, as part of a partnership of organisations in Edinburgh who are installing a network of 21 charging points across the city. The University is actively pursuing options to introduce electric vehicles to the University's fleet, following the introduction of these facilities.

Procurement

Our goal is to procure goods and services in ways that maximise efficiency and effectiveness while minimising social, environmental and other risks. The University's Procurement Office is exploring a range of codes and standards relating to supply chain ethics, such as the APUC Policy and Code of Conduct, the Worker Rights Consortium and has endorsed the use of two Supported Business Frameworks that employ a large percentage of disabled staff.

www.ed.ac.uk/schools-departments/procurement/sustainableprocurement/sustainable-procurement

Fair trade

Our updated Fair Trade Policy was approved by University Court in June 2013. The last year also saw the University appoint its first Fair Trade Coordinator, reflecting its commitment towards promoting and embedding fair trade across the University community. The year also saw a 25 per cent increase of fair trade beverages used in the University's Accommodation Services, and a 2,500 per cent increase in the use of fair trade Malawian rice, the purchase of which supports the sponsorship of senior school education for 35 children in Malawi.

www.sps.ed.ac.uk/jwi/ftan

Accommodation Services

The University's Accommodation Services started their own apiary at Pollock Halls of Residence this year, to encourage the biodiversity of the local area and to raise awareness among students of the positive impact of beekeeping on flowering plants and fruit and seed production.

Equality and diversity

The University reviewed its Equality and Diversity Action Plan during 2012/13, and published equality outcomes and associated actions for 2013/17 in April 2013. The plan focuses on the most relevant and significant issues for the University to address, and details a host of action points that the University aims to achieve throughout the period.

www.docs.csg.ed.ac.uk/EqualityDiversity/Strategy.pdf

Over the last 12 months the University ran a range of high-profile events and initiatives to promote equality and diversity. These included the annual lecture series and other events for International Women's Day, events to support Black History Month, LGBT and disability awareness raising, as well as chaplaincy events including a religious literacy seminar. In addition the University became a Stonewall Diversity Champion, participated in Equality Challenge Unit programmes and developed a University-wide mentoring framework.

Health and safety

The University's Health and Safety Department has continued the promotion of health and wellbeing within the University community, and advised on matters of public health, for example relating to communicable diseases, which may affect the University's staff and students. Outreach into the Edinburgh community has taken various forms, including involvement in the health and safety aspects of successfully hosting the Edinburgh International Festival and Fringe, in liaison with colleagues in Edinburgh First and the University's Estates and Buildings Department. Our Occupational Health Service expanded its activities into rehabilitation input and occupational and study health surveillance for students.

Waste

The University's Waste and Environment Office has been rolling out shared recycling bins across the University estate. New posters were developed and trialled and subsequently specified on all new shared recycling bins. The designs are adjusted for different types of location and take advantage of known behaviour patterns to improve users' understanding of what sort of things are recyclable.

25%

The increase in the use of fair trade beverages used in the University's Accommodation Services.

Student activities

The student community is central to the University's delivery of ambitious social responsibility and sustainability aims. The University supports a range of student awards, projects and volunteering activities.

Awards

The efforts of departments across the University were recognised during the third year of the Edinburgh Sustainability Awards, which encourage staff and students to make their departments more sustainable and socially responsible. Student volunteers contributed more than 300 hours of their time to ensure the Edinburgh Sustainability Awards 2012/13 took place. Students were involved in every part of the process – from promoting the scheme to auditing individual departments.

www.ed.ac.uk/about/sustainability/what-we-do/awards

Projects

The University has supported the establishment of the SHRUB cooperative, a student-led project aiming to reduce waste, share skills and promote a smarter, more sustainable way of meeting peoples' material needs. The SHRUB cooperative aims to enable not only students but alumni, local residents and the wider community in Edinburgh, to take part in, and organise, re-use initiatives: redistributing those items that might be discarded, and challenging the prevailing culture of consumption and disposal.

www.shrubcoop.org

Hearty Squirrel, a student- and volunteer-run food cooperative at the University, has now obtained fixed premises through the support of the University's Estates and Buildings Department. Hearty Squirrel provides healthy, local, ethical, organic and fair trade food to students and staff, as well as providing a unique and informative experience for its volunteers.

www.heartsquirrel.edinburgh.weebly.com

10k

The University's Our Changing World lecture series has been attended by more than 10,000 people.

Research, teaching and outreach initiatives Global Academies

The University continues to undertake world-leading research across a wide range of fields, positively influencing the outcomes of many of today's global challenges. The establishment in 2012/13 of the University's fourth Global Academy, the Global Academy of Justice, continues the University's policy of establishing networks of specialist academics, committed to addressing the world's most pressing and significant problems, across health, development, sustainability and now law and matters of justice.

www.ed.ac.uk/about/edinburgh-global/academies/home

A new MSc in Global Challenges was launched this year as a distance-learning programme. Taught entirely online, this part-time postgraduate degree is specifically designed so students can study global challenges while they work. Whether they are already employed in a related field and looking to broaden their expertise, or seeking to move into a new area, the University provides opportunities to bring their experience into their studies, and apply their new insights and skills to work while they study.

www.ed.ac.uk/about/edinburgh-global/msc-global-challenges

Learning for Sustainability Scotland

To advance learning in the area of sustainable development, the University supported a successful bid to establish a United Nations regional centre of expertise in Scotland. The Learning for Sustainability Scotland Centre will be based within the University and will promote, sustainable development across curriculums, while supporting research and education in this area.

www.learningforsustainabilityscotland.org

Our Changing World

The University's annual, high-profile, public lecture series, Our Changing World addresses global challenges facing society, and the role of science and academia in meeting them. The lectures have been attended by more than 10,000 members of the public, along with staff, students and alumni of the University. The lectures are made freely available on YouTube and iTunesU, and have featured on the iTunesU 'Noteworthy' page, with more than 600,000 downloads worldwide as well as 64,000 views on YouTube.

www.ed.ac.uk/news/2013/changing-world-120913

Fair Trade Academic Network

The University hosted the inaugural Scottish Fair Trade Nation Lecture in 2012/13 and launched the Fair Trade Academic Network, which aims to facilitate interdisciplinary academic research and provide critical perspectives on fair trade, to inform policy and practice.

Corporate governance statement

The University Court is responsible for the strategic development of the University; it is committed to the Nolan Principles regarding standards to be adopted in public life.

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 – The Court, The Senate and The General Council.

The University Court, the University's governing body, is a body corporate, with perpetual succession and a common seal. The present powers of Court are defined in the Universities (Scotland) Act 1966 and include, inter alia, 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 Senate has in place effective arrangements for academic quality assurance and enhancement. Court is responsible for the strategic development of the University, advised by the Principal in consultation with the Central Management Group.

The University Court is made up of 22 members. The Rector, who is elected by staff and students of the University, presides over meetings of Court. Court has a majority of lay members, including assessors appointed by the Chancellor and the City of Edinburgh Council and elected by the General Council. There are also assessors elected by members of Senate and by non-teaching/academic staff from among their number, and two fully matriculated student members nominated by the Students' Representative Council. The Principal is an ex-officio member and acts as the Chief Executive Officer of the University and is its Accountable Officer. Co-opted members of the Court and external members of the Court committees are appointed through a robust, transparent, open advertisement and interview process, based on a skills-matrix approach, managed by the Nominations Committee. In addition to the members of Court, a number of senior officers of the University regularly attend meetings: the Rector's Assessor, Senior Vice-Principal (External Engagement), Vice-Principal (Planning, Resources and Research Policy), Vice-Principal (Public Policy and Impact), the University Secretary, Heads of Colleges and Support Groups, the Deputy Secretary, Strategic Planning and Directors of Communications, Marketing and External Affairs, Estates and Buildings, Finance, and Human Resources.

Five members left Court at the end of the academic year 2011/12 and were succeeded by five new members, including two representatives from the Edinburgh University Students' Association. An induction event was held at the beginning of September, primarily for new members, but to which all members of Court were invited to attend. A mentoring scheme is also operated.

The 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. The current interests of members of Court are published on the University's website at: www.ed.ac.uk/schools-departments/governance-strategic-planning/governance/university-court/overview. 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 Court met on six occasions during 2012/13 and considered any urgent matters requiring Court approval between meetings via electronic communication. Members were also kept informed by electronic means of any significant issues affecting the University. A Court seminar was held in September 2012 on future planning issues around aspects of sport at the University. The Court consults with the Senate and the General Council as required by statute.

The Court has taken full account of the Guide for Members of Governing Bodies issued by the Committee of University Chairmen in November 2004 and revised in March 2009. It notes that compliance with this guidance is not a formal requirement of the Scottish Funding Council, however, Court believes that in all significant respects its operations are compliant with this guidance. The Court has also considered the new Scottish Code of Good Higher Education Governance, published on 18 July 2013, and with effect from 1 August 2013, and has established a Sub-Group of Court to make recommendations on its implementation.

In June 2010 the Court approved a revised statement of its responsibilities, which it believes to be of a high standard. The statement and information on other governance arrangements within the University are available as part of the University's Freedom of Information publication scheme available at: www.ed.ac.uk/schools-departments/governance-strategic-planning/governance/university-governance/overview

The 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 Strategic Plan. The Strategic Plan operative during 2012/13 was adopted by the University Court at its meeting on 2 July 2012 and covers the period 2012-2016. The strategic planning process is led by the Principal with support from the Vice-Principal Planning, Resources and Research Policy and the Deputy Secretary, Strategic Planning.

During 2012/13, as well as the more routine items, Court considered the following:

- approved documentation to further progress the Holyrood and the Deaconess estate developments;
- tuition fee levels for RUK-domiciled undergraduates commencing study in 2013/14;
- the Outcome Agreements with the Scottish Funding Council for 2012/13 and for 2013/14;
- a strategic alliance with Heriot-Watt University.

Court welcomed the introduction of a communication from the President of the Edinburgh University Students' Association, to each of its meetings, outlining activities and matters arising from the student body. Routine reports were also considered on widening participation and the student experience at each Court meeting.

The University's current Equality and Diversity Strategy which was developed in line with the University's Strategic Plan and legislative requirements was approved by the Court on 7 November 2011, replacing the previous Equality and Diversity Strategy and Action Plan and the various separate policies and codes in operation prior to the new integrated legislation.

The Court's committee structure

Court has established several committees including:

- Audit Committee;
- Estates Committee;
- Finance and General Purposes Committee;
- Health and Safety Committee;
- Investment Committee;
- Knowledge Strategy Committee;
- Nominations Committee;
- Remuneration Committee;
- Risk Management Committee;
- Staff Committee.

Each of these committees is formally constituted, with terms of reference including membership approved by Court, and conducts its business both through regular meetings and by electronic communication when appropriate. The University also has a Central Management Group whose membership includes all the major budget holders in the University and all the Vice-Principals who advise the Principal on senior management decisions, particularly on the allocation of budgets to Colleges and Support Groups. As part of the consideration of the new Scottish Code of Good Higher Education Governance there will be a review undertaken during 2013/14 of the function and activities of the current committee structure.

		Meetings attended
University Court		
Rector		
Presides at meetings of Court	Mr Peter McColl	6/6
The Principal and Vice-Chancellor	Professor Sir Timothy O'Shea	6/6
Chancellor's Assessor		
Nominated by Chancellor	Sheriff Principal Edward F Bowen	4/6
General Council Assessors		
Three assessors elected by General Council for terms of office of four years	Mr Alan Johnston	6/6
	Professor Ann M Smyth	5/6
	Mrs Margaret Tait	6/6
Senatus Academicus Assessors		
Four assessors elected by Senate for terms of office of four years	Dr Marialuisa Aliotta	3/6
	Professor Jake Ansell	6/6
	Professor David J Finnegan	6/6
	Professor Anthony Harmar	4/6
The City of Edinburgh Council Assessor		
One assessor nominated by The City of Edinburgh Council	The Rt Hon Donald Wilson	0/6

Corporate governance statement

(continued)

		Meetings attended
Co-opted members		
Eight appointed by Court for a term of office of three years including the Vice-Convener (similar to Chair of institution)	Professor Stuart Monro (Vice-Convener)	6/6
	Mr David Bentley	6/6
	Dr Robert Black	5/6
	Mr Peter Budd	2/6
	Dr Chris Masters	4/6
	Mr Les Matheson	4/6
	Mrs Elaine Noad	4/6
	Ms Anne Richards	4/6
Non-teaching staff assessor		
Elected by non-teaching staff for a period of four years	Mr David Brook	2/6
Student members		
Annually nominated by the Edinburgh University Students' Association usually from among sabbatical officers	Mr James McAsh, until 11 June 2013	5/5
	Mr Andrew Burnie, until 11 June 2013	5/5
	Mr Hugh Murdoch, from 12 June 2013	1/1
	Ms Kirsty Haigh, from 12 June 2013	1/1

Audit Committee

The Audit Committee is responsible for reviewing the University's annual report and financial statements and any changes to accounting policies and advising the Court accordingly; it also provides Court with an annual opinion on arrangements in place to promote economy, efficiency and effectiveness. In addition, the Committee receives regular reports from the internal and external auditors, which include recommendations for improvements in internal control and management's responses and implementation plans. The Audit Committee's role in this area is confined to a high-level review of the arrangements for internal control. The emphasis is on obtaining the relevant degree of assurance and not merely reports of exceptions. It also has explicit responsibility for advising on the effectiveness of the University's risk management arrangements.

In addition to the routine items considered by the Audit Committee, of particular note were the following:

- consideration of External Audit provision from the 2013/14 audit onwards which resulted in a procurement exercise and a recommendation being presented and approved by Court on 13 May 2013 to appoint PricewaterhouseCoopers as the University's external auditor for an initial period of three years, with the option to extend by a further two audit years;
- initial discussion on the new Scottish Code of Good Higher Education Governance and the implications for the Committee;
- agreement to take forward, under delegated arrangements, specific roles on behalf of the Andrew Grant Bequest, a charity providing support to students in the Edinburgh College of Art within the University of Edinburgh;
- approval of enhanced reporting arrangements in respect of IT assurance reporting via the Risk Management Committee;
- raising management awareness via the Central Management Group of the need to timeously complete actions agreed following internal audit assignments;
- endorsement of a revised Internal Audit Terms of Reference and Operating Framework, which were approved by the Court at its meeting on 24 June 2013.

A joint meeting of the Audit and Risk Management Committees was held on 28 October 2013 to discuss the implications of the new Scottish Code of Good Higher Education Governance in respect of audit and risk oversight arrangements.

		Meetings attended
Lay members of Court		
	Ms Anne Richards (Convener)	4/4
	Mr Peter Budd	3/4
	Mrs Elaine Noad	2/4
	Mr Alan Johnston	4/4
External members		
Appointed through an open advertisement and interview process	Mr Martin Sinclair	4/4
	Mr Alan Trotter	4/4

Estates Committee

The Estates Committee oversees the preparation, review and implementation of the University's Estate Strategy and its links to corporate and other business plans. It also oversees the University's property portfolio transactions (acquisitions and disposals), matters relating to estate developments and considers reports on progress through a gateway process. It considers and advises on significant matters related to the amount and deployment of Estates and Buildings recurrent budget, and operational matters including allocation of previously agreed budgets (such as Maintenance Programmes, Small Capital Projects) across Colleges and Support Groups. The Central Management Group, the Finance and General Purposes Committee and Court receive a report on matters considered, following each meeting of the Committee. It is chaired by the Vice-Principal Planning, Resources and Research Policy.

In addition to the more routine items the Committee considered and progressed the following:

- the estate visioning work to 2025, a master plan for the whole University estate, looking at the shape of the University over the next 10 to 12 years, and preparing material including a development programme to dovetail with the compilation of the 2015-25 Estate Strategy, Financial Strategy and the University's overall Strategic Plan.

		Meetings attended
Ex-officio members		
Vice-Principal Planning, Resources & Policy Research	Professor Jonathan Seckl (Convener)	4/4
University Secretary	Dr Kim Waldron, until 17 March 2013	2/2
	Ms Sarah Smith, from 18 March 2013	1/2
Vice-Principal and Director Corporate Services	Mr Nigel Paul	4/4
Director of Planning	Dr Alexis Cornish, until 10 March 2013	3/3
	Mrs Tracey Slaven, from 6 May 2013	0/1
Director of Estates and Buildings	Mr Angus Currie	4/4
Director of Finance	Mr Phil McNaull	4/4
Director of Development and Alumni	Ms Kirsty McDonald	4/4
Vice-Principal of Knowledge Management	Professor Jeff Haywood	3/4
Director of Accommodation Services	Mr Richard Kington	3/4
Heads of Colleges (or his/her nominee)	Mr Hugh Edmiston (MVM)	4/4
	Vice-Principal Professor Dorothy Meil (HSS)	4/4
	Dr Bruce Nelson (CSE)	4/4
Edinburgh University Students' Association representative	Mr James McAsh, until 11 June 2013	3/4
	Mr Hugh Murdoch, from 12 June 2013	0/0
Lay members of Court	Mr David Bentley, from 27 March 2013	2/2
	Mr Peter Budd	2/4

Corporate governance statement

(continued)

Finance and General Purposes Committee

The Finance and General Purposes Committee oversees the University's financial affairs on behalf of Court and provides advice on business of particular importance or complexity. This includes the design of the planning and budgeting process, approval of the resulting plan and budget in the context of the University's overall strategy, and ensuring adequate monitoring thereafter of the resources of the University. It also has delegated authority to approve various financial arrangements in accordance with agreed levels, including loans to third parties and borrowing arrangements and subsidiary company processes. The Court receives a report on matters considered following each meeting of the Committee. It is chaired by the Vice-Convener of Court.

As well as the routine items, including financial monitoring reports, approval of the allocation of resources for 2013/14, and update reports on widening participation and the student experience, the Committee considered the following:

- agreement to take forward, under delegated arrangements, specific roles on behalf of the Andrew Grant Bequest, a charity providing support to students in Edinburgh College of Art within the University of Edinburgh;
- consideration and endorsement of a significantly revised Finance Strategy 2012-2016, which was approved by the Court at its meeting on 18 February 2013;
- endorsement of revisions to various financial procedures, including a review of the format of the Annual Report and Accounts, improved financial monitoring arrangements, particularly forecast monitoring, and a review of the allocation of resources' process.

		Meetings attended
Ex-officio members		
The Principal	Professor Sir Timothy O'Shea	4/6
(Vice-Convener of Court)	Professor Stuart Monro (Convener)	6/6
University Secretary	Dr Kim Waldron, until 17 March 2013	1/4
	Ms Sarah Smith, from 18 March 2013	2/2
Director of Finance	Mr Phil McNaull	6/6
Student member	Mr James McAsh, until 11 June 2013	5/5
	Mr Hugh Murdoch, from 12 June 2013	1/1
Nominated by Central Management Group Vice-Principal	Professor Jonathan Seckl	6/6
Senate Assessor	Dr Marialuisa Aliotta	3/6
Lay members of Court	Mr David Bentley	5/6
	Mr Les Matheson*	0/6
	Dr Chris Masters	5/6
	Professor Ann Smyth	4/6

* During the year, Mr Matheson's work commitments significantly increased.

Health and Safety Committee

The purpose of the Health and Safety Committee is to contribute to the development of policy and monitor performance in all areas of occupational safety and health within the University. It is chaired by the Vice-Principal and Director of Corporate Services.

In addition to the routine items which included the Accidents, Incidents and Disease Survey Report and Occupational Health Annual Report, the Health and Safety Committee considered the following:

- changes to Accident and Incident Reporting requirements (RIDDOR);
- review of emergency telephone number arrangements;
- commencement of a review of occupational health provision;
- report of an Edinburgh College of Art health and safety audit.

		Meetings attended
Ex-Officio members		
Vice-Principal and Director Corporate Services	Mr Nigel Paul (Convener)	2/2
Director of Health and Safety	Mr Alastair Reid	2/2
Deputy Director of Health and Safety	Mrs Karen Darling	2/2
Occupational Health Manager	Mrs Janet Craig	2/2
Physician in Charge of the University Health Service	Dr Tim Brown	1/2
Subject area representatives:	Mrs Ann Diment	2/2
	Dr Neil Robertson	0/2
	Mr Ronnie Soutar	1/2
	Mr Duncan Herd	2/2
	Ms Lesley Pert	2/2
	Ms Tricia Cairney	0/2
	Mr Derek Burnett	2/2
Trade Union representatives	Mr Gordon Reid, from 3 October 2012	2/2
	Mr Peter McDonald	1/2
	Mr Neil Kempself	2/2
Management representatives	Mr Joe Brannigan	2/2
	Mr Dave Rigby	1/2
	Mr Alex Hyde-Parker	0/2
Edinburgh University Students' Association representative	President	0/2

Corporate governance statement

(continued)

Investment Committee

The Investment Committee considers implications of the University's investments in particular the development of an investment strategy to meet agreed investment objectives with regard to ethical and socially responsible issues and to review and monitor both long- and short-term investments. It has responsibility for overseeing the University's Endowment Funds and ensuring that funds held in trust are operated within the relevant legislation and specific terms of each trust, other investment funds and deposit balances. It reports to the Court via the Finance and General Purposes Committee as appropriate. The Committee also benefited from external advisors invited to attend meetings as necessary and from an independent investment advisor. It is chaired by an external member.

In addition to the routine items the Investment Committee considered the following:

- A review took place of the University's investment strategy, with the aim of broader manager and asset diversification. This has resulted in the Endowment Fund's assets now being managed by four external fund managers and new investments in property.
- BNY Mellon was appointed as Custodian for the University's investment assets providing an independent review of fund valuation and reporting.
- A recommendation was made and approved by the Court at its meeting on 10 December 2012 that the University adopt the United Nations Principles of Responsible Investment (UNPRI), becoming the first university in Europe and second in the world to sign up to these principles.

		Meetings attended
Ex-Officio members		
The Principal	Professor Sir Timothy O'Shea, until 31 August 2013	1/1
Vice-Principal and Director Corporate Services	Mr Nigel Paul, from 1 September 2013	3/3
Convener of Finance and General Purposes Committee	Professor Stuart Monro	3/4
External members		
Five additional members of whom at least three appointed through an open advertisement and interview process	Mr Les Matheson	2/4
	Mr Alan McFarlane (Convener)	4/4
	Ms Maxine Cuffe	3/4
	Mr Richard Davidson	4/4
	Mr Bill Hughes	3/4

Nominations Committee

The Nominations Committee considers nominations for: co-opted membership of the Court, membership of Court committees and for the Court's nominations on the Curators of Patronage. The arrangements to progress the open advertisement and interview process for co-opted members of the Court and external members of the Court committees are also managed by the Nominations Committee. It makes recommendations for consideration and approval to the Court and reports on any other matter considered following each Committee meeting. It is chaired by the Vice-Convener of Court.

The items and topics considered included:

- review of membership of the Court and its committees; identifying potential vacancies, considering succession planning, and thereafter, in accordance with the requirements of Court or the relevant terms of reference of the Committee, making recommendations to Court on the way forward;
- review of vacancies on other bodies in respect of Court representation including Curators of Patronage, Staff Benefits Scheme Trustees, and Development Trust Trustees, thereafter making recommendations to the Court;
- initial consideration of the impact of the new Scottish Code of Good Higher Education Governance on the work of the Committee and going forward considering the priority areas to be actioned by the Committee during 2013/14.

		Meetings attended
Ex-officio members		
The Principal	Professor Sir Timothy O'Shea	3/3
Vice-Convener of Court	Professor Stuart Monro (Convener)	3/3
University Secretary	Dr Kim Waldron, until 17 March 2013	2/2
	Ms Sarah Smith, from 18 March 2013	1/1
Senate Assessor	Professor Jake Ansell	3/3
Lay members of Court	Dr Robert Black	3/3
	Mrs Elaine Noad	2/3
	Professor Ann Smyth	2/3

Knowledge Strategy Committee

The Committee oversees the University's knowledge management activities in the areas of the library, information technology, e-learning, management information and e-administration. It also advises on the strategic direction for the University's information space, bringing together academic, physical, and financial aspects, ensuring that priorities are clearly aligned to the University's Strategic Plan, and supporting the delivery of the core strategic goals. Furthermore it monitors progress against agreed targets. The Central Management Group and Court receive reports as appropriate, on matters considered by the Committee. It is chaired by the Vice-Principal Knowledge Management and has a number of committees which report into it.

In addition to the routine items the Knowledge Strategy Committee considered the following:

- enhancement of University-wide IT security;
- improvements to business intelligence/management information;
- revised computing regulations, which were approved by the Court at its meeting on 13 May 2013.

	Meetings attended
Ex-Officio members	
Vice-Principal Knowledge Management	Professor Jeff Haywood (Chairperson) 3/3
Vice-Principal and Director Corporate Services	Mr Nigel Paul 2/3
Head of Knowledge Management and IS Planning	Ms Jo Craiglee 3/3
Edinburgh University Students' Association representative	
	Mr Andrew Burnie, until 11 June 2013 2/2
	Mr Alex Munyard, from 12 June 2013 1/3
Lay members of Court	
	Professor Ann Smyth 1/3
	Professor Stuart Monro 2/3
College of Humanities and Social Science	
	Ms Janet Rennie 3/3
College of Medicine and Veterinary Medicine	
	Professor David Dewhurst 1/1
	Mr Hugh Edmiston, from 1 June 2013 2/2
College of Science and Engineering	
	Professor Arthur Trew 2/3
Student and Academic Services Group	
	Dr Alexis Cornish, until 10 March 2013 1/2
	Mrs Tracey Slaven, from 6 May 2013 1/1

Remuneration Committee

The Remuneration Committee oversees the total remuneration of the Principal and those senior staff reporting directly to the Principal; the reward policy for professorial and equivalent staff; and the policy statement on severance payments in respect of all staff. As a member of the Committee, the Principal withdraws from meetings when matters related to his remuneration are being considered. It reports as appropriate and at least annually to the Court on its activities. It is chaired by the Vice-Convener of Court and has the benefit of an independent observer with particular expertise in equality.

The Committee routinely considers a number of issues including: reviewing comparative information on salaries, other emoluments and conditions of service in the University sector; taking part in sector-wide surveys; annually reviewing and approving salaries, contractual terms and emoluments of the Principal and of such senior staff as report directly to the Principal, or who may, from time to time, be agreed by the Committee; progressing arrangements for the appraisal of the Principal; and it considers appraisal information in respect of the senior management, and approves performance criteria. The Committee draws upon expert advice from external organisations, from time to time, to assure itself that the University reflects current good practice in its approach to governance on all matters of reward.

	Meetings attended
Ex-officio members	
The Principal	Professor Sir Timothy O'Shea 2/2
Vice-Convener of Court	Professor Stuart Monro (Convener) 2/2
Lay members of Court	
	Ms Anne Richards 2/2
	Dr Chris Masters 2/2
	Mr Alan Johnston 1/2

Corporate governance statement

(continued)

Risk Management Committee

The Risk Management Committee supports and advises the Central Management Group, the Audit Committee and the Court, on the implementation and monitoring of the University's risk management policy. It ensures that the identification and evaluation of key risks that threaten achievement of the University's objectives, is carried out. It also ensures that a register of these risks is maintained; that risks are being actively managed, with the appropriate strategies in place and working effectively; and it contributes to raising awareness of risk generally across the University and to maintaining the profile of risk management. The Central Management Group, the Finance and General Purposes Committee, the Audit Committee and the Court receive reports as appropriate and in particular the annual assurance statement and the outcome of the review of the University's Risk Register. It is chaired by the Vice-Principal and Director of Corporate Services.

The Committee annually reviews and, as appropriate, amends the University's strategic Risk Register, which is then approved by the Court. The risk registers of Colleges, Support Groups and subsidiary companies are also annually reviewed by the Committee. The Annual Report prepared by the Risk Management Committee on its activities provides information to the Audit Committee and the Court on the adequacy of the University's risk management arrangements and is part of the assurance provision to the Court to enable it to sign off the Annual Report and Accounts. In addition to these routine items the Risk Management Committee considered the following:

- development of a significantly revised Risk Policy and Appetite Statement which was approved by the Court at its meeting on 24 June 2013.

		Meetings attended
Ex-officio members		
Vice-Principal and Director Corporate Services	Mr Nigel Paul (Convener)	4/4
University Secretary	Dr Kim Waldron, until 17 March 2013	2/2
	Ms Sarah Smith, from 18 March 2013	0/2
Director of Finance	Mr Phil McNaull	3/4
Director of Quality Assurance	Assistant Principal Dr Tina Harrison	3/4
Non ex-officio		
Senior officer nominated from each of the three Colleges	Mr Frank Gribben, College Registrar HSS	2/4
	Mr Hugh Edmiston, College Registrar MVM	1/4
	Dr Bruce Nelson, College Registrar CSE	3/4
Senior officer nominated by Information Services Group	Mr Brian Gilmore, Director of EUCS	3/4
Academic representative	Professor Jake Ansell	3/4
Lay member of Court	Mrs Margaret Tait	4/4

Staff Committee

The Staff Committee provides advice and guidance on the University's strategic human resources policies and objectives and provides assurance that the University is monitoring its performance and managing its HR issues effectively. The Committee reports to the Court via the Central Management Group and the Finance and General Purposes Committee following each Committee meeting. The Committee is chaired by the Vice-Principal with responsibility for Equality and Diversity.

As well as the routine items including talent management, HR performance indicators and reviews of maternity and sabbatical leave policies, the following significant items were considered:

- progressing the development of the University's People Strategy;
- review of issues affecting academic and professional services staff in the 21st century;
- a range of issues around mainstreaming and embedding elements of the Equality and Diversity Strategy, particularly gender issues such as progression.

		Meetings attended
Lay member	Mrs Elaine Noad	0/3
Court member	Professor Antony Harmar	2/3
Heads of Colleges and Support Groups or representative		
Head of College of Science and Engineering	Vice-Principal Professor Lesley Yellowlees	2/3
Head of College of Humanities and Social Science	Vice-Principal Professor Dorothy Miell	2/3
Head of College of Medicine and Veterinary Medicine	Vice-Principal Professor Sir John Savill	0/3
Vice-Principal and Director of Corporate Services	Mr Nigel Paul	3/3
University Secretary and Head of Student and Academic Services Support Group		
	Dr Kim Waldron, until 17 March 2103	2/2
	Ms Sarah Smith, from 18 March 2103	1/1
Director of Human Resources	Ms Sheila Gupta	3/3
Head of School of Biological Sciences	Professor David Leach	3/3
External Directors of HR from industry, commerce or the professions		
External member	Mr Alex Killick	2/3
	Mr Alan Gibson	2/3
Director of the Institute of Academic Development	Dr Jon Turner	2/3
Convener, Research Experience Committee	Professor Jeremy Bradshaw	1/3
Vice-Principals and Assistant Principals		
Vice-Principal Learning and Teaching	Dr Sue Rigby	3/3
Vice-Principal Equality and Diversity	Professor Lorraine Waterhouse (Convener)	3/3
Vice-Principal International	Professor Steve Hillier	2/3
Vice-Principal Knowledge Management and Chief Information Officer	Professor Jeff Haywood	3/3

Corporate governance statement

(continued)

Central Management Group

The Central Management Group, while formally advisory to the Principal, is the senior body for consideration of management issues. Its members are, between them, 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 reports through the Finance and General Purposes Committee to the Court. The Central Management Group is chaired by the Principal and during 2012/13 it met on eight occasions.

The Senate

The Senate is the academic authority of the University and draws its membership from the academic staff and students of the University. Its role is to superintend and regulate the teaching and discipline of the University and to promote research. Senate membership saw 95 new additions and 60 demitted memberships in 2012/13.

The Senate held three meetings during the academic year with presentations delivered on:

- Strengthening Academic Communities and Building Good Practice;
- Accessibility, Inclusivity and Sustainability in the Curriculum;
- Integrating Distance Education.

In addition to the routine items covered by Senate there has been a focus on work around improving the student experience including consideration of the results of the National Student Survey. There has also been a review of the General Statement and Code of Student Discipline, which has resulted in a new Code of Student Conduct to be implemented during 2014.

Senate has four principal committees which operate in accordance with delegated authority, as set out in the terms of reference of each of the committees.

Curriculum and Student Progression Committee

Convener: Assistant Principal Professor Ian Pirie

Responsible for the academic regulatory framework, apart from those aspects which are primarily parts of either the Code of Student Discipline or the Quality Assurance Framework.

As well as the more routine items, the Committee took forward the following:

- review of the Taught Assessment Regulations and Postgraduate Assessment. Regulations for research degrees, for implementation in the 2013/14 academic year;
- revised the Degree Regulations and Programme of Study (DRPS) regulations (undergraduate and postgraduate), including revision of the glossary of terms;
- approved a Student Maternity and Family Leave Policy and Gaelic in Assessed Work Policy;
- approved guidance for Colleges and Schools on the Principles of Internal Moderation of Taught Assessment;
- development of a School Learning and Teaching Enhancement Strategy Template.

Learning and Teaching Committee

Convener: Vice-Principal Dr Sue Rigby

Responsible, on behalf of the Senate, for undergraduate, taught postgraduate and other forms of academic provision, apart from postgraduate research and higher degrees. The Committee also provides a forum to facilitate and encourage the development of academic strategy and also discusses and promotes academic developments, whether internally driven or externally indicated.

As well as the more routine items, the Committee took forward the following:

- review of the Learning and Teaching Enhancement Strategy, drafting a Learning and Teaching Enhancement Strategy template for use by Schools;
- discussions relating to flexible pathways were initiated;
- approval of an overarching framework for Continuing Professional Development (CPD) for Learning and Teaching;
- outline recommendations and related, proposed work streams, aiming to reduce the number of resits was approved;
- approval of the mainstreaming of a number of common adjustments for implementation at the start of the academic year 2013/14 in respect of the Equality Act.

Quality Assurance Committee

Convener: Assistant Principal Dr Tina Harrison

Responsible for the University's academic quality assurance framework. The Committee also acts as a planning forum for the discussion and promotion of developments in academic quality assurance, whether internally driven or externally indicated.

As well as the more routine items, the Committee took forward the following:

- the successful launch of the Edinburgh Student Experience Survey for non-final year undergraduate students to improve and shape their University experience;
- development of Principles and a Code of Practice for the surveying of students;
- the response to the latest Enhancement-Led Institutional Review (ELIR) was approved by Senate and Court and submitted to the QAA (Scotland), and will be sent to the Scottish Funding Council;
- the successful launch of a joint University and EUSA statement on student engagement;
- work on-going with EUSA to develop principles for Staff Student Liaison Committees (SSLC) and guidance for Schools on External Examiners Summary reports at SSLCs.

Researcher Experience Committee

Convener: Professor Jeremy Bradshaw

Responsible for postgraduate research degree training, higher degrees and provision for the training of other, early career researchers. The Committee provides a forum to facilitate and encourage the development of appropriate strategy and also discusses and promotes relevant developments, whether internally driven or externally indicated.

As well as the more routine items, the Committee took forward the following:

- established the University's participation in the international U21's 3 Minute Thesis competition;
- responded to consultation on the QAA Code of Practice in respect of the chapter on research degrees;
- the group undertaking work on facilitating interdisciplinary research completed its tasks;
- updated the University's process on Associated Institution status;
- the group undertaking work on non-traditional postgraduate research provision completed its tasks.

Senate Committees submit an annual report to Senate providing an overview of the major items of committee business completed, and proposing strategic issues for the committees to focus on for the next academic year and beyond, for approval by Senate.

The General Council

The General Council consists mainly of graduates and includes eligible academic staff and a more limited number from other related categories. At 1 August 2013 it had 179,614 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 the election of the Chancellor and the election of three Court Assessors.

Half-yearly meetings of the General 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 2012/13 the following items were discussed at these meetings:

- The Principal reported on the University's Reports and Financial Statements at the February meeting.
- The June 2013 meeting was held at the Royal (Dick) School of Veterinary Studies and members heard about the developments within the School, and at the Easter Bush Campus, from the Head of School, Professor David Argyle.
- Through its Business Committee, members of the General Council follow progress in a number of areas, including student satisfaction, league table positions, internationalisation and the financial status of the University.

The Business Committee is the principal committee of the General Council with four supporting Standing Committees.

Business Committee

Convener: Professor Charles Swainson

Vice Convener: Dr Frances Dow

It has delegated authority to act on behalf of the General Council between half-yearly meetings, reporting on its activities to each half-yearly meeting, playing an advisory role to the University Court and approving delegated arrangements for its four Standing Committees.

During 2012/13, as well as the more routine items, the Committee took forward the following:

- implementation of the recent Effectiveness Review of the Business Committee;
- responding to consultation on the recent Draft Scottish Code of Good Higher Education Governance Code and the Post-16 Education Bill;
- interaction with senior academic staff on student satisfaction.

Academic Standing Committee

Convener: Dr Bruce Ritson

The Academic Standing Committee advises on matters of broad principle in the academic field.

Corporate governance statement

(continued)

Constitutional Standing Committee

Convener: Mr Gordon Cairns

The Constitutional Standing Committee advises on matters appertaining to the constitutional relationship between the General Council and its Business Committee and other parts of the University.

Finance and Services Standing Committee

Convener: Ms Kirsty MacGregor

The Finance and Services Standing Committee advises on the general financial affairs of the University and the funding of the General Council. It also reviews trends in staff and student numbers and patterns of graduation.

Public Affairs Standing Committee

Convener: Mr Simon Fairclough

The Public Affairs Standing Committee advises on matters regarded as important, involving the actions of Parliament, HM Government, quasi government agencies and other public bodies, which might affect universities in general and the University of Edinburgh in particular.

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 mis-statement 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. The current Delegated Authorisation Schedule was approved by the Court in June 2010 and continues to be reviewed and appropriately amended to ensure it remains fit for purpose. 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 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 as a formal Court committee, which oversees implementation of the Risk Management Policy adopted in 2002. In June 2013, the Court considered and approved a significantly revised and reformatted Risk Policy and Appetite Statement following extensive consideration of the approach to risk management within the University; this approach will be taken forward in 2013/14. The University 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. The Risk Register is annually reviewed by the Risk Management Committee and considered by the Central Management Group, the Audit Committee, and the Finance and General Purposes Committee prior to consideration and approval by the Court; the most recent update was adopted by the Court on 24 June 2013 and aligns to the University Strategic Plan 2012-2016.

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 yearend 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 auditors undertake an independent review of the operation of the overall risk management process, having regard to best practice as recommended by professional institutes and other relevant organisations. The Audit Committee considered the internal auditors opinion on risk management at its meeting on 23 September 2013 and expressed itself satisfied with the outcome.

By its 9 December 2013 meeting, Court had received the Audit Committee and Risk Management Committee reports for the year ended 31 July 2013. It had also taken account of relevant events since 31 July 2013. The Audit Committee in particular is responsible for advising Court on the effectiveness of policies and procedures for risk assessment and risk management. The Court considers, on the recommendation of the Audit 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 2013. In reaching this view, the 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 to the Audit 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 to the Audit Committee regarding its operation;
- comments made by the External Auditors in their Highlights Memorandum and other reports;
- 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 (such as the Quality Assurance Agency for Higher Education, SFC).

During 2013/14 there will be consideration of the guidelines included within the new Scottish Code of Good Higher Education Governance in respect of audit and risk management arrangements and any changes in practice required will be taken forward during 2013/14, following Court approval.

Charitable status

The University had charitable status (No. SC005336) under the legislative framework operative throughout the 2012/13 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. As at 31 July 2013 this included the Edinburgh College of Art Prize fund and other Edinburgh College of Art endowments other than the Edinburgh Andrew Grant Bequest which is held within a separate charitable trust. 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. The President is a former member of Court. The Trustees meet twice a year. 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 cash flows and liquidity are set out in more detail in the Notes to the Financial Statements.

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

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

Responsibilities of Court

On 21 June 2010 the Court adopted the Statement of Primary Responsibilities, set out below. The Court's primary responsibilities are:

I. Strategic direction

- to determine the mission and vision of the University and its major priorities as expressed in strategic plans, long term academic and business plans;
- to ensure that the 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 approve financial, estates, and human resources strategies in support of institutional objectives and priorities;
- 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 plans and approved key performance indicators, which should where possible, be benchmarked against other comparable universities;
- to promote and safeguard the reputation and values of the University.

II. Governance: responsibilities in relation to management and Senate

- to appoint the Principal as chief executive, including the terms and conditions of such an appointment, and to put in place suitable arrangements for monitoring his/her performance;
- to delegate authority to the Principal (as chief executive) for the academic corporate, financial, estate and HR management of the University, subject to reserving such matters to itself as the 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 Secretary to the 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;
- to ensure that Senate has processes in place for monitoring and reporting the quality of education provision and to monitor quality enhancement arrangements.

III. Governance: 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 and to have overall responsibility for the University's assets, property and estates;
- 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;
- to ensure that appropriate arrangements are in place for promoting equality of opportunity in respect of students, staff and other persons making use of University services or facilities.

Corporate governance statement

(continued)

IV. Governance: 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 be the employing authority for all staff in the University and to ensure that obligations thereto 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 senior staff;
- to make provision for the general welfare of students, in consultation with the 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 pensions scheme established by the 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;
- 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 and with the principles of public life drawn up by the Nolan Committee on Standards in Public Life;
- to ensure that procedures are in place in the University for handling internal grievances, conflicts of interest and public interest disclosure;
- to put in place arrangements for the appointment of co-opted members of the Court so as to maintain a broad balance of expertise taking account of the principles of equal opportunity;
- to establish processes to monitor and evaluate the performance and effectiveness of the Court itself and that of its committees.

Statement of responsibilities relating to the Reports and Financial Statements

These primary responsibilities, including those pertaining to financial matters are stated above. The detailed requirements relating to financial matters are governed by law, agreements and regulations as decreed by various bodies and are stated as follows:

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

In causing the financial statements to be prepared, the 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;
- financial statements are prepared on the going concern basis.

The Court has taken reasonable steps to:

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



Professor Stuart Monro

Vice-Convener

9th December 2013

Independent Auditor's Report to the Court of the University of Edinburgh

We have audited the Group and University financial statements of The University of Edinburgh for the year ended 31 July 2013 set out on pages 42 to 77. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to The Court of The University of Edinburgh, as a body, in accordance with Universities (Scotland) Acts 1858-1966 and, in the University Court's role as charity trustees, 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. Our audit work has been undertaken so that we might state to The Court of The University of Edinburgh those matters we are required to state to it in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than The Court of The University of Edinburgh, as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the Court of the University of Edinburgh and auditor

As explained more fully in the Statement of Responsibilities relating to the Reports and Financial Statements set out on page 40, The Court of The University of Edinburgh are responsible for the preparation of the financial statements which give a true and fair view. We have been appointed as auditor under section 44 (1)(c) of the Charities and Trustee Investment (Scotland) Act 2005 and report to you in accordance with the regulations made under that Act. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Group's and University's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by The Court of The University of Edinburgh; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Strategic Review and Corporate Governance Statement to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Group's and University's affairs as at 31 July 2013 and of the Group's income and expenditure, recognised gains and losses and cash flows for the year then ended;
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice and the Statement of Recommended Practice: accounting for further and higher education;
- have been prepared in accordance with the Charities and Trustee Investment (Scotland) Act 2005, and regulation 14 of the Charities Accounts (Scotland) Regulations 2006 (as amended).

Opinion on other matters prescribed by the terms of our engagement

In our opinion, in all material respects:

- funds from whatever source administered by the 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;
- funds provided by the Scottish Funding Council have been applied in accordance with the Financial Memorandum.

Matters on which, under the terms of our engagement, we are required to report by exception

We have nothing to report in respect of the following matters where the Charities Accounts (Scotland) Regulations 2006 (as amended) and the terms of our engagement require us to report to you if, in our opinion:

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



Michael Rowley
for and on behalf of KPMG LLP, Statutory Auditor

Chartered Accountants

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

Saltire Court

20 Castle Terrace

EH1 2EG

Group income and expenditure account

For the year ended 31 July 2013

	Note	2013 £'000	2012 £'000
INCOME			
Funding council grants	2	204,282	189,438
Tuition fees and education contracts	3	174,079	150,298
Research grants and contracts	4	200,123	193,119
Other income	5	141,732	155,378
Endowment and investment income	6	17,570	12,654
Total income		737,786	700,887
EXPENDITURE			
Staff costs	7	377,265	354,673
Other operating expenses	9	284,765	268,853
Depreciation charge	13	32,699	31,569
Interest payable	10	5,604	4,818
Total expenditure		700,333	659,913
SURPLUS ON CONTINUING OPERATIONS AFTER DEPRECIATION OF ASSETS AT VALUATION AND BEFORE TAXATION			
		37,453	40,974
Gain on disposal of fixed assets	13	547	206
SURPLUS AFTER DEPRECIATION OF ASSETS AT VALUATION AND DISPOSAL OF ASSETS BUT BEFORE TAXATION			
		38,000	41,180
Taxation	11	(5)	(31)
SURPLUS AFTER DEPRECIATION OF ASSETS AT VALUATION AND TAXATION AND BEFORE MINORITY INTEREST			
		37,995	41,149
Minority interest		(9)	(30)
SURPLUS AFTER DEPRECIATION OF ASSETS AT VALUATION			
		37,986	41,119
Surplus transferred from accumulated income in endowment funds		265	546
SURPLUS FOR THE YEAR RETAINED WITHIN GENERAL RESERVES			
	12	38,251	41,665

The Group income and expenditure account is in respect of continuing University activities.

Group statement of historical cost surpluses and deficits

For the year ended 31 July 2013

	Note	2013 £'000	2012 £'000
SURPLUS AFTER DEPRECIATION OF ASSETS AT VALUATION AND BEFORE TAXATION		37,453	40,974
Gain on disposal of fixed assets in the year		547	206
Realisation of revaluation gains of previous years	24	2,043	3,670
Difference between historical cost depreciation and the actual depreciation calculated on the revalued amount: On the depreciation charge for the year	24	7,300	6,700
HISTORICAL COST SURPLUS BEFORE TAXATION		47,343	51,550
HISTORICAL COST SURPLUS AFTER TAXATION, MINORITY INTEREST AND TRANSFERS FROM/TO SPECIFIC ENDOWMENT FUNDS		47,594	52,035

Group statement of total recognised gains and losses

For the year ended 31 July 2013

	Note	2013 £'000	2012 £'000
SURPLUS AFTER DEPRECIATION OF ASSETS AT VALUATION, TAXATION AND MINORITY INTEREST		37,986	41,119
Net diminution in tangible fixed assets – land & buildings values	13	(7,542)	–
Unrealised surplus on revaluation of tangible fixed assets – heritage assets	13 & 34	1,636	8,058
Net appreciation on fixed asset investments	14	572	(77)
Appreciation/(depreciation) on endowment asset investments	15	40,816	(4,430)
New endowments	22	2,524	5,775
Addition of ECA (note 36)	36	–	1,018
Endowments transferred to deferred capital grants	22	(1,697)	–
Actuarial gain/(loss) in respect of pension schemes	31	32,683	(28,374)
TOTAL GAIN RECOGNISED DURING THE CURRENT YEAR		106,978	23,089
Reconciliation:			
Opening reserves and endowments at 1 August		1,227,037	1,203,948
Total recognised gains for the year		106,978	23,089
CLOSING RESERVES AND ENDOWMENTS AT 31 JULY		1,334,015	1,227,037

Balance sheets

as at 31 July 2013

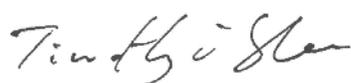
	Note	Group		University	
		2013 £'000	2012 £'000	2013 £'000	2012 £'000
FIXED ASSETS					
Tangible assets	13	1,410,376	1,387,293	1,388,030	1,382,327
Negative goodwill	36	(27,012)	(28,363)	(27,012)	(28,363)
Investments	14	15,510	20,634	32,129	21,107
		1,398,874	1,379,564	1,393,147	1,375,071
ENDOWMENT ASSETS					
	15	283,525	238,329	283,525	238,329
CURRENT ASSETS					
Stocks and stores in hand		2,464	2,602	1,829	2,046
Debtors	16	98,149	89,083	92,872	84,603
Assets held for resale	13	–	1,446	–	1,446
Investments: bank deposits	30	304,641	309,831	290,680	297,877
Cash at bank and in hand	30	45,239	12,426	37,582	7,393
		450,493	415,388	422,963	393,365
CREDITORS: Amounts falling due within one year	17	(250,431)	(236,594)	(227,123)	(215,721)
NET CURRENT ASSETS					
		200,062	178,794	195,840	177,644
TOTAL ASSETS LESS CURRENT LIABILITIES					
		1,882,461	1,796,687	1,872,512	1,791,044
CREDITORS: Amounts falling due after one year	18	(108,579)	(109,970)	(108,479)	(109,870)
PROVISIONS FOR LIABILITIES AND CHARGES					
	20	(9,570)	(11,005)	(9,570)	(11,005)
TOTAL NET ASSETS EXCLUDING PENSIONS LIABILITIES					
		1,764,312	1,675,712	1,754,463	1,670,169
PENSION LIABILITIES	24 & 31	(64,181)	(99,274)	(64,181)	(99,274)
TOTAL NET ASSETS INCLUDING PENSION LIABILITIES					
		1,700,131	1,576,438	1,690,282	1,570,895

Balance sheets

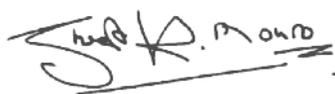
as at 31 July 2013

	Note	Group		University	
		2013 £'000	2012 £'000	2013 £'000	2012 £'000
Represented by:					
DEFERRED CAPITAL GRANTS	21	366,077	349,371	360,533	347,389
ENDOWMENTS					
Expendable	22	183,510	158,476	183,510	158,476
Permanent	22	100,015	79,853	100,015	79,853
		283,525	238,329	283,525	238,329
RESERVES					
Revaluation Reserve	23	697,682	714,883	697,682	714,883
General Reserve excluding pension reserve	24	416,989	373,099	412,723	369,568
Pension Reserve	24 & 31	(64,181)	(99,274)	(64,181)	(99,274)
General Reserve including pension reserve		352,808	273,825	348,542	270,294
Total Reserves		1,050,490	988,708	1,046,224	985,177
MINORITY INTERESTS		39	30	-	-
TOTAL FUNDS		1,700,131	1,576,438	1,690,282	1,570,895

The financial statements on pages 42 to 77 were adopted by Court on 9 December 2013 and were signed on its behalf by:



Professor Sir Timothy O'Shea
Principal



Professor S Monro
Member of the University Court



Phil McNaul
Director of Finance

Group cash flow statement

For the year ended 31 July 2013

	Note	2013 £'000	2012 £'000
NET CASH INFLOW FROM OPERATING ACTIVITIES	25	48,122	44,158
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE	26	11,388	7,621
TAXATION CHARGED	11	(5)	(31)
CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT	27	(30,527)	(6,002)
MERGER WITH ECA AND HGU		–	2,038
MANAGEMENT OF LIQUID RESOURCES	28	5,190	(98,749)
FINANCING	29	(1,331)	48,619
INCREASE/(DECREASE) IN CASH IN THE PERIOD	30	32,837	(2,346)
RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET FUNDS/(DEBT)			
Increase/(decrease) in cash in the period		32,837	(2,346)
Cash (outflow)/inflow from movement in liquid resources	28	(5,190)	98,749
Change in net debt resulting from cashflows	29	1,331	(48,619)
Debt acquired on merger with ECA		–	(7,500)
Movement in net funds for the period	30	28,978	40,284
Net funds at start of year	30	214,135	173,851
NET FUNDS AT CLOSE OF YEAR	30	243,113	214,135

Notes to the financial statements

For the year ended 31 July 2013

1. STATEMENT OF PRINCIPAL ACCOUNTING POLICIES

The accounting policies selected follow the principles laid out in FRS18 and have been applied consistently in dealing with items considered material in relation to the financial statements.

Accounting convention

These financial statements have been prepared under the historical cost convention, as modified by the revaluation of Endowment Asset Investments and certain Land and Buildings, and in accordance with both the Statement of Recommended Practice: Accounting for Further and Higher Education 2007 (SORP07) and applicable accounting standards.

Basis of consolidation

The consolidated financial statements consolidate the financial statements of the University and all subsidiary undertakings including quasi-subsidiaries for the financial year to 31 July. Intra-group transactions are eliminated on consolidation. A list of the subsidiary undertakings is included in note 14.

The consolidated financial statements do not include those of the University of Edinburgh Students' Association as it is a separate charity in which the University has no financial interest and no control or significant influence over policy decisions.

Accounting for business combinations

The University merged with the Edinburgh College of Art on 1 August 2011 and the Human Genetics Unit of the Medical Research Council on 1 October 2011. The merger was accounted for by the "acquisition method of accounting" in order to comply with the requirements of FRS 6, Acquisitions and Mergers. No consideration was paid by the University for the net value of the assets acquired and fair values are attributed to the net separable assets and liabilities. The benefit arising as a consequence is included in the consolidated balance sheet as a deduction from Fixed Assets. The fair value of the benefit is released to the Income and Expenditure Account over the periods in which the non-monetary assets are recovered, whether through depreciation or disposal. The release is aligned with the corresponding depreciation charge relating to the assets.

Funding Council grants

Funding Council grants are accounted for on an accruals basis in the period to which they relate.

Tuition fees

Tuition fees for each academic year are recognised in full in the financial year in which they are chargeable with the exception of fees for postgraduate students with non-standard start dates where only the portion of the fee related to the financial year is recognised. The fee elements of bursaries and scholarships are accounted for gross as expenditure and not deducted from income.

Research grants and contracts

Income from Research Grants and Contracts is included to the extent of the expenditure incurred during the year, together with any related contributions towards infrastructure costs.

Specific grants for income

Specific grants or donations for special purposes are accounted for on an accruals basis and included in income to the extent of the expenditure incurred during the year.

Charitable donations

Charitable donations are recognised on receipt or where there is certainty of future receipt and the value can be measured reliably. The accounting treatment of a donation depends on the nature and extent of restrictions specified by the donor.

Donations with no substantial restrictions are recognised as income in the Income and Expenditure Account. Donations which are to be retained for the future benefit of the University, and other donations with substantially restricted purposes, other than for the acquisition or construction of tangible fixed assets, are recognised in the statement of total recognised gain and losses as new endowments.

Endowment and investment income

Income from endowments is credited to Income and Expenditure on a receivable basis. Any unspent income is retained as accumulated income and disclosed in the Balance Sheet.

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

Changes to the market value of endowment investments are reported in the statement of total recognised gains and losses and as increases or decreases to endowment assets and funds.

All income from short-term deposits and investments is credited to the Income and Expenditure Account on a receivable basis.

Other income

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

Income from general fundraising and donations received supporting the general purposes of the University or an individual department is recognised in the year it is receivable.

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.

Leases

Fixed assets held under finance leases and the related lease obligations are recorded in the Balance Sheet at the fair value of the leased assets at the inception of the lease. The excess of lease payments over recorded lease obligations are treated as finance charges which are amortised over each lease term to give a constant rate of charge on the remaining balance of the obligations.

Rental costs under operating leases are charged to expenditure in equal amounts over the periods of the leases.

Land and buildings

Land and buildings are stated at fair value less accumulated depreciation and impairment losses.

Land and buildings owned by the University were independently valued by Messrs Gerard Eve, an independent firm of Chartered Surveyors, as at 1 August 2012. The majority of buildings were valued on the depreciated replacement cost basis. Certain other buildings, mainly residential accommodation, retail properties and land were valued on existing use or open market value bases. The University complies with the requirements of FRS 15: Tangible Fixed Assets, through a review of the above valuations within the required five-year cycle specified by the reporting standard.

Notes to the financial statements

(continued)

1. STATEMENT OF PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

Additions since 1 August 2012, including buildings under construction are shown at cost less accumulated depreciation. Depreciation on buildings has been provided on a straight-line basis using an assessment of the expected useful life of each building as assessed by the University's qualified valuers. No depreciation is provided on land. The range of lives used for the majority of buildings is as follows:

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

Other lives within this range are applied to reflect the circumstances of specific buildings. Where buildings are depreciated over a period greater than 50 years, the carrying value is subject to an annual impairment review in accordance with FRS 11: Impairment of fixed assets and goodwill. Buildings under construction are not depreciated.

Costs incurred in relation to a tangible fixed asset, after its initial purchase or production, are capitalised to the extent that they increase the expected future value to the institution beyond its previously assessed value, the cost of any such enhancements are added to the gross carrying amount of the tangible fixed asset concerned. Assets under construction are stated at cost and are not depreciated until the period in which they are brought into use.

Equipment

Equipment, including computers and software, costing less than £25,000 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. All University 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.

Where equipment is acquired with the aid of specific grants it is capitalised and depreciated as above. The related grant is treated as a deferred capital grant and released to income over a four year period.

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, has a long operating life and is depreciated over a ten year period. 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. In accordance with FRS 15 and FRS 30: Heritage assets, 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.

Repairs and maintenance

The above expected useful lives reflect the University policy of maintaining buildings to functional and regulatory compliance standards through a planned refurbishment programme that is reviewed annually. The expenditure to ensure that a tangible fixed asset maintains its previously recognised standard of performance is recognised in the Income and Expenditure Account in the year it is incurred.

Intangible fixed assets: goodwill

Goodwill arises on consolidation and is based on the difference between the fair value of the consideration given for the undertaking acquired, and the fair value of its separable net assets at the date of acquisition. Goodwill is amortised over its estimated economic life of 10 years on a straight-line basis. A full year of amortisation is taken in the year of acquisition. Where there is impairment in the carrying value of goodwill, the loss is incurred in the results for the period. Negative goodwill relating to non-monetary assets is released to the income and expenditure account as those assets are recovered through depreciation or sale. Negative goodwill relating to the monetary assets is released to the income and expenditure account in the period the monetary assets are realised.

Acquisition with the aid of specific grants

Where buildings are constructed or acquired with the aid of specific grants they are capitalised and depreciated as above. The related grants are treated as deferred capital grants and released to income over the expected useful life of the buildings.

All land and buildings 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.

Assets held for resale

Assets held for resale are stated at market value and are disclosed as current assets within one year of sale.

Investments

The University's investments continue to be administered by external fund managers and comprise the following main funds:

- The University of Edinburgh Endowment Fund which holds endowment and general fund investments;
- The University of Edinburgh General Reserve Fund.

Listed investments held as fixed assets or endowment assets are shown at market value. Investments in subsidiary companies are shown at the lower of cost or net realisable value and the investments in associates, where material are shown in the consolidated balance sheet at the attributable 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)

Endowments

Restricted expendable endowments are those where both the capital and interest are expended for the purpose specified by the donor.

Permanent endowments are those where the capital is retained on a permanent basis. If they are restricted, the interest is expended for the purpose specified by the donor. If they are unrestricted the interest is expended for general purposes.

Stocks

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 flows and liquid resources

Cash flows comprise increases and decreases in cash. Cash includes cash in hand, cash at bank and deposits repayable on demand. Deposits are repayable on demand if they are available within 24 hours without penalty. No other investments however liquid are included as cash.

Liquid resources comprise assets held as a readily disposable store of value. They include cash term deposits and bank notice accounts held as part of the University's treasury management activities. They exclude any such assets held as part of fixed asset and endowment asset investments.

Foreign currency translations

Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the Balance Sheet date. All differences are taken to the Income and Expenditure Account.

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.

Pensions

The University and certain subsidiaries participate in a number of pension schemes. This includes separately administered, externally funded, defined benefit pension schemes, all of which are contracted out of the State Earnings-Related Pension Scheme. It also includes some defined contribution schemes. The main schemes are:

- Universities Superannuation Scheme (USS);
- University of Edinburgh Staff Benefits Scheme (EUSBS);
- Medical Research Council (MRC);
- Lothian Pension Fund (LPF);
- Strathclyde Pension Fund (SPF);
- National Employee Savings Trust (NEST).

Each fund is valued every three years by independent actuaries. Additionally, the actuaries review the progress of the schemes in each of the intervening years.

The University also participates in the Scottish Teachers Superannuation Scheme (STSS), an unfunded, defined benefit pension scheme which is also contracted out of the State Earnings-Related Pension Scheme. The scheme has a notional fund which is revalued on a five year cycle by the Government Actuary.

The expected cost of providing staff pensions to employees contributing to EUSBS, LPF and SPF schemes is recognised in the Income and Expenditure Account, on a systematic basis over the expected average remaining lives of members of the funds, in accordance with FRS 17: Retirement Benefits, and recognises retirement benefits as the benefits are earned and not when they are due to be paid.

Contributions to the other schemes are charged in the Income and Expenditure Account so as to spread the cost of providing pensions over the employees' working lives within the organisation. The contribution charges are recognised in the accounting periods in which they arise. Variations in pension costs as a result of actuarial valuations or premature retirement schemes are amortised over the average expected remaining working lives of employees in proportion to their expected payroll costs. Differences between the amounts funded and the amounts charged in the Income and Expenditure Account are treated as provisions in the Balance Sheet.

The University also contributes to The Federated Superannuation System (FSSU), and the National Employee Savings Trust Scheme (NEST), defined contribution pension schemes which are not contracted out of the State Earnings-Related Pension Scheme. Contributions are charged in the Income and Expenditure Account as they become payable in accordance with the rules of the scheme.

A small number of subsidiary company employees are members of other defined contribution schemes. Contributions are charged in the Income and Expenditure Account in the year in which they become payable.

Comparatives

In compliance with FRS28, prior year figures disclosed have been adjusted where required in order that they are directly comparable with the amount shown in respect of the current financial year.

Notes to the financial statements

(continued)

2. FUNDING COUNCIL GRANTS

	2013 £'000	2012 £'000
Recurrent grant		
Teaching	80,621	76,757
Research	93,439	83,243
Specific grants		
Information systems	6,080	8,212
Infrastructure grants for research, teaching and learning	7,494	2,535
Other including research pooling	12,522	14,699
Deferred capital grants released in year		
Buildings (note 21)	3,363	3,207
Equipment (note 21)	763	785
	204,282	189,438

3. TUITION FEES AND EDUCATION CONTRACTS

	2013 £'000	2012 £'000
Non-EU fees	93,435	85,427
Undergraduate students at home & EU rate	26,919	27,211
Postgraduate & other tuition fees	23,820	20,186
Rest of UK (RUK) (new fee rate)	13,405	–
Research training support grants	13,105	12,581
Short course and other fees and support grants	3,395	4,893
	174,079	150,298

Notes to the financial statements

(continued)

4. RESEARCH GRANTS AND CONTRACTS

	2013 £'000	2012 £'000
UK research councils	97,054	94,473
UK based charities	43,335	43,624
UK central government bodies, local and health authorities	17,346	17,316
UK industry, commerce and public corporations	8,733	7,852
EU government bodies	23,383	19,611
EU other	1,614	1,262
Other overseas	5,011	4,484
Other sources	3,647	4,497
	200,123	193,119

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.

Deferred capital grants: research income of £12,611,000 (2012 – £2,489,000) has been deferred (see note 21) to match expenditure. Research income of £3,601,000 (2012 – £8,853,000) has been deferred (see note 21) to match purchases of items of equipment costing in excess of £25,000 which have been capitalised. The above income includes deferred capital grants released during the year of £7,914,000 (2012 – £5,822,000) comprising releases on building grants of £1,489,000 (2012 – £903,000) and equipment grants of £6,425,000 (2012 – £4,919,000).

5. OTHER INCOME

	2013 £'000	2012 £'000
Residences, catering and conferences	48,195	43,668
Specific grants, donations and other designated income:		
Academic and related activities	22,869	23,639
Academic services and support activities	6,000	16,951
General income:		
Academic and related activities	26,466	28,418
Income generating, academic services & support activities	33,792	35,458
Released from deferred capital grants:		
Buildings (note 21)	1,261	2,727
Equipment (note 21)	1,798	3,056
Benefit on acquisition (goodwill amortised)	1,351	1,461
	141,732	155,378

6. ENDOWMENT AND INVESTMENT INCOME

	2013 £'000	2012 £'000
Income from restricted expendable endowments (note 22)	5,358	5,118
Income from permanent endowments (note 22)	2,925	2,567
Other investment income	485	527
Other interest receivable	6,190	4,442
Net return on pension scheme assets (note 31)	2,612	–
	17,570	12,654

Notes to the financial statements

(continued)

7. STAFF

	2013	2012
Staff numbers (expressed as full time equivalents (FTE) as at 31st July) were as follows:		
Academic and related support	4,032	3,693
Research grants and contracts	1,807	1,785
Library, computer and other academic support services	581	556
Administration and central services	650	588
Premises	693	685
Other including income generating operations	142	109
Residences and catering operations	437	455
	8,342	7,871
Staff numbers (expressed as an employee count and excluding hours-to-be-notified-staff) were as follows:		
Staff on open ended contracts	6,858	6,676
Staff on fixed term contracts	2,293	2,102
	9,151	8,778
Percentage of employees on fixed term contracts	25.06%	23.95%

A total headcount of 3,409 hours-to-be-notified staff are excluded from the FTE figures shows in the table above. Their salary and wages costs are included in the table below:

	2013 £'000	2012 £'000
Analysis of the cost of the above staff by activity:		
Academic and related support	206,403	190,108
Research grants and contracts	86,547	85,778
Library, computer and other academic support services	23,740	22,044
Administration and central services	26,662	23,617
Premises	17,302	16,520
Other including income generating operations	5,963	5,366
Residences and catering operations	11,041	10,888
Unfunded pensions (note 20)	(595)	2,047
Pension costs less employer contributions payable (note 31)	202	(1,695)
	377,265	354,673
Analysis of the above staff cost by type:		
Salaries and wages	291,214	272,100
Social security costs	21,716	22,391
Other pension costs (note 31)	63,180	56,071
Severance costs	1,750	2,064
Unfunded pensions (note 20)	(595)	2,047
	377,265	354,673

Notes to the financial statements

(continued)

8. SENIOR POST HOLDERS

Remuneration of higher paid staff, excluding pension contributions was:	2013 Number	2012 Number
£70,000 – £79,999	115	85
£80,000 – £89,999	68	77
£90,000 – £99,999	58	43
£100,000 – £109,999	36	32
£110,000 – £119,999	23	25
£120,000 – £129,999	15	22
£130,000 – £139,999	14	15
£140,000 – £149,999	12	8
£150,000 – £159,999	6	6
£160,000 – £169,999	9	9
£170,000 – £179,999	14	5
£180,000 – £189,999	3	6
£190,000 – £199,999	5	6
£200,000 – £209,999	3	3
£210,000 – £219,999	2	4
£220,000 – £229,999	–	1
£230,000 – £239,999	3	–
£240,000 – £249,999	2	1
£260,000 – £269,999	2	2
£350,000 – £359,999	–	1
	390	351

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

Emoluments of the Principal	2013 £'000	2012 £'000
Remuneration	227	227
Benefits in kind	2	1
	229	228
Employee's pension contributions	18	18
	247	246
Employer's pension contributions	39	39
	286	285

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. As in the past, the Principal was awarded but chose not to receive his annual pay award and contractual bonus.

Notes to the financial statements

(continued)

8. SENIOR POST HOLDERS (CONTINUED)

Compensation for loss of office

There were no payments for compensation for loss of office exceeding £100,000 during the year. Compensation arrangements applied to three senior member of staff earning in excess of £70,000.

	2013 £'000	2012 £'000
Payments to USS for enhanced pension benefits	–	397
Other payments in respect of loss of office	135	65
	135	462

Severance pay was in accordance with the Remuneration Committee Policy.

9. ANALYSIS OF OTHER OPERATING EXPENSES BY ACTIVITY

	2013 £'000	2012 £'000
Academic and related expenditure	68,119	63,430
Research grants and contracts	75,774	70,895
Library, computer and other academic support services	14,803	23,087
Administration and central services	22,696	18,591
Premises – refurbishment and maintenance	28,703	25,734
– utility costs	19,614	17,057
– other premises costs	12,768	10,667
Other including income generating operations	14,094	16,954
Residences and catering operations	28,194	22,438
	284,765	268,853
Other operating expenses include:		
Operating lease rentals	4,536	11,857
Fees charged by external auditors:		
Audit of these financial statements	67	65
Audit of financial statements of subsidiaries pursuant to legislation incl Andrew Grant Bequest	55	49
Taxation services	5	21
Non-audit services	151	221

10. INTEREST PAYABLE

	2013 £'000	2012 £'000
Bank and other loans	5,393	3,938
Finance leases	211	250
Net charge on pension scheme liabilities (note 31)	–	630
	5,604	4,818

Notes to the financial statements

(continued)

11. TAXATION

	2013 £'000	2012 £'000
UK corporation tax charge on subsidiaries' profits	5	31

12. SURPLUS FOR THE YEAR

	2013 £'000	2012 £'000
The group surplus for the period is made up as follows:		
University's surplus for the period excluding		
surpluses paid under Gift Aid to the University by subsidiaries	33,956	35,466
Surplus generated by subsidiary undertakings	4,295	6,199
	38,251	41,665

13. TANGIBLE ASSETS

Group	Land and Buildings £'000	Equipment £'000	Heritage Assets £'000	Total £'000
Cost or valuation				
As at 31 July 2012	1,234,526	110,118	169,522	1,514,166
As at 31 July 2012 – building under construction	4,797	–	–	4,797
	1,239,323	110,118	169,522	1,518,963
Revaluation	(54,782)	–	1,636	(53,146)
Additions at cost	47,174	16,072	–	63,246
Disposals	(3,528)	(1,744)	–	(5,272)
As at 31 July 2013	1,228,187	124,446	171,158	1,523,791
Depreciation as at 31 July 2012	49,787	81,883	–	131,670
Written back on revaluation	(47,240)	–	–	(47,240)
Charge for the year	17,513	15,186	–	32,699
Disposals	(2,142)	(1,572)	–	(3,714)
As at 31 July 2013	17,918	95,497	–	113,415
Net book value				
As at 31 July 2013	1,210,269	28,949	171,158	1,410,376
As at 31 July 2012	1,189,536	28,235	169,522	1,387,293

At 31 July 2013 land and buildings included £22,885,000 (2012: £6,762,000) in respect of buildings under construction.

In addition to the land and building disposals included above, the interest in properties included in current assets for resale at July 2012 at a value of £1,446,000, comprising development sites at Holyrood Road campus were transferred under a 50 year long leasehold granted to a developer. During the year the University entered into a project agreement under which student accommodation will be constructed on the sites by the developer and made available to the University for a period of 50 years, at the University's option.

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.

Notes to the financial statements

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13. TANGIBLE ASSETS (CONTINUED)

Under the requirement of FRS15 Tangible Fixed Assets, a revaluation of land and buildings was performed by Messrs Gerald Eve, Chartered Surveyors, as at 1 August 2012 and has been reflected in these accounts. Valuations were established on the following bases:

- The majority of buildings were valued on the depreciated replacement cost basis.
- Certain other buildings, mainly residential accommodation, retail properties and land were valued on existing use or open market value bases.
- Valuations were carried out in compliance with the RICS valuation standards (the "Red Book").
- Where buildings were under construction, they were not included in the valuation but are stated at cost above.

Gains on disposals of land and building fixed assets amounted to £547,000 (2012 – £206,000).

Land and buildings with a net book value of £177,961,000 (2012 – £173,518,000) have been financed from Exchequer Funds. Should these assets be sold, the University may be liable, under the terms of the Financial Memorandum with the Scottish Funding Council, to surrender the proceeds.

University	Land and Buildings £'000	Equipment £'000	Heritage Assets £'000	Total £'000
Cost or valuation				
As at 31 July 2012	1,229,791	97,641	169,522	1,496,954
As at 31 July 2012 – buildings under construction	4,797	–	–	4,797
As at 31 July 2012 – total	1,234,588	97,641	169,522	1,501,751
Revaluation	(54,782)	–	1,636	(53,146)
Additions at cost	33,224	11,274	–	44,498
Disposals	(1,496)	(303)	–	(1,799)
As at 31 July 2013	1,211,534	108,612	171,158	1,491,304
Depreciation				
Depreciation as at 31 July 2012	47,836	71,588	–	119,424
Written back on revaluation	(47,240)	–	–	(47,240)
Charge for the year	17,333	14,048	–	31,381
Disposals	(11)	(280)	–	(291)
As at 31 July 2013	17,918	85,356	–	103,274
Net book value				
As at 31 July 2013	1,193,616	23,256	171,158	1,388,030
As at 31 July 2012	1,186,752	26,053	169,522	1,382,327

At 31 July 2013 land and buildings included £7,332,000 (2011: £4,797,000) in respect of buildings under construction.

During the year constructions were completed on a new building at Easter Bush, to house the Archer advance computer, and at the Medical School at Little France, to accommodate the Anne Rowling Regenerative Neurology Clinic.

Notes to the financial statements

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

The net book value of tangible fixed assets includes an amount of £2,240,144 (2012 – £2,408,931) of buildings fixtures and fittings held under finance leases. The depreciation charge on these assets for the year was £28,356 (2012 – £29,856).

Net book value historical cost equivalent

	Group		University	
	2013 £'000	2012 £'000	2013 £'000	2012 £'000
Land and buildings	736,508	675,449	721,323	669,881
Equipment	28,949	28,235	23,256	26,053
	765,457	703,684	744,579	695,934

The group depreciation charge has been matched by:

	2013 £'000	2012 £'000
Deferred capital grant released	15,099	13,456
Revaluation reserve transferred to general reserves (note 23)	7,300	6,700
Earnings in subsidiaries	1,316	1,299
General income	8,984	10,114
	32,699	31,569

Notes to the financial statements

(continued)

14. INVESTMENTS WITHIN FIXED ASSETS

	Group		University	
	2013 £'000	2012 £'000	2013 £'000	2012 £'000
Movements in the year				
University General Reserve Fund				
Balance at 1 August	16,140	19,385	16,140	19,385
Disposals	(3,876)	(3,156)	(3,876)	(3,156)
Reversal of prior depreciation/(depreciation)	2,029	(89)	2,029	(89)
Net appreciation (note 23)	572	–	572	–
Balance at 31 July	14,865	16,140	14,865	16,140
University General Fund				
Balance at 1 August	3,818	3,895	3,818	3,895
Reclassified as endowment (note 15)	(3,818)	–	(3,818)	–
Net depreciation (note 23)	–	(77)	–	(77)
Restated balance	–	3,818	–	3,818
Other investments				
Balance at 1 August	676	281	1,149	754
Additions	274	95	4,095	–
Depreciation	(250)	–	–	–
Loans (repaid)/advanced	(55)	300	12,020	395
Balance at 31 July	645	676	17,264	1,149
Total investments within fixed assets	15,510	20,634	32,129	21,107
Represented by:				
Investment in subsidiary companies at cost	–	–	4,451	358
Loans to subsidiary companies	–	–	12,485	410
Fixed interest stocks	4,078	10,887	4,078	10,887
Equities	10,743	8,643	10,743	8,643
Bank deposits	44	401	44	401
Working capital	–	27	–	27
Other investments	645	676	328	381
Total investments within fixed assets	15,510	20,634	32,129	21,107
Investments at cost	14,002	20,499	30,359	20,932

Notes to the financial statements

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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 negotiation of research and consultancy contracts with industry and commerce on behalf of the University of Edinburgh. It is also responsible for the commercial exploitation of intellectual property arising from research within the University.

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 University Press Limited

Edinburgh University Press Limited is a registered Scottish charity, 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.

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 development and subsequent operation of land-based 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.

SSTRIC Limited

The University is the sole member of SSTRIC Limited, a company limited by guarantee.

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 FRS5: Reporting the Substance of Transactions. The primary purpose of the Trust is to act as a fundraiser for the University and to hold and allocate 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 FRS5: Reporting the Substance of Transactions. 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.

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 for the University of Edinburgh.

University of Edinburgh Deaconess Limited (UoEDL)

The University owns 100 per cent of the share capital of UoEDL consisting of one ordinary share of £1. The main activities are that of investing in and operating student accommodation property, and in particular, Deaconess House.

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.

Associated undertakings include the following:

Edinburgh Technology Transfer Centre Limited

The University Court is a member of Edinburgh Technology Transfer Centre Limited. The company, registered in Scotland and limited by guarantees of £1 from each of two members, is consolidated in these financial statements.

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 subsidiary and associate 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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15. ENDOWMENT ASSETS

	Group and University	
	2013 £'000	2012 £'000
As at 1 August	238,329	236,512
Transferred from General Fund	3,818	–
Purchase of endowment investment assets (note 27)	3,967	8,263
Disposal of endowment investment assets (note 27)	(4,435)	(1,126)
Acquisition of ECA	–	1,018
Increase/(decrease) in market value of investments (note 22)	40,816	(4,430)
Decrease in cash balances held by the University	(29)	(1,743)
Increase/(decrease) in working capital	1,042	(164)
Increase in cash balances held by fund manager	17	(1)
As at 31 July	283,525	238,329
Represented by:		
Equities – other	182,926	159,924
Fixed interest stocks	57,061	52,965
Property	31,814	–
Bank deposits held at fund managers	877	10,422
Bank deposits held by the University	5,941	9,273
Cash balances held by the University and Development Trust (note 30)	2,679	2,655
Working capital	2,227	3,090
Total endowment assets	283,525	238,329
Endowment assets – at cost	243,028	192,300

Notes to the financial statements

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16. DEBTORS

	Group		University	
	2013 £'000	2012 £'000	2013 £'000	2012 £'000
Amounts falling due within one year:				
Debtors	81,931	78,497	75,550	71,335
Amounts owing from subsidiary companies	–	–	3,632	3,069
Prepayments and accrued income	16,218	10,586	13,690	10,199
	98,149	89,083	92,872	84,603

17. CREDITORS: due within one year

	Group		University	
	2013 £'000	2012 £'000	2013 £'000	2012 £'000
Amounts falling due within one year:				
Unsecured loans (note 19)	1,351	1,302	1,351	1,302
Finance lease (note 19)	128	117	128	117
Creditors	34,084	28,938	30,593	30,701
Social security and other taxation payable	8,493	7,963	8,477	7,815
Accruals and deferred income	206,375	198,274	186,574	175,786
	250,431	236,594	227,123	215,721

18. CREDITORS: due after one year

	Group		University	
	2013 £'000	2012 £'000	2013 £'000	2012 £'000
Amounts falling due after more than one year:				
Bank loans (note 19)	106,438	107,701	106,438	107,701
Obligations under finance leases (note 19)	1,529	1,657	1,529	1,657
Other creditors	612	612	512	512
	108,579	109,970	108,479	109,870

Notes to the financial statements

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19. BORROWINGS

	Group and University	
	2013 £'000	2012 £'000
Bank loans		
Bank loans are repayable as follows:		
In one year or less	1,351	1,302
Between two and five years	19,486	18,160
In five years or more	86,952	89,541
	107,789	109,003
Less: falling due within one year (note 17)	(1,351)	(1,302)
Total bank loans (note 18)	106,438	107,701

Borrowings consist of long-term credit facilities and one unsecured loan with a fixed interest rate of 5.5% p.a.

The University's long-term credit facilities are as follows;

- £10,000,000 at a fixed rate of 6.99% p.a., repayable in 2015;
- £30,000,000 at a fixed rate of 6.98% p.a., repayable in equal instalments between years 2026 and 2030;
- £9,130,000 at an annual interest rate of 0.23% above Bank of England base rate, repayable between 2014 and 2025;
- £50,000,000 at a fixed rate of 4.10% repayable between 2015 and 2037; and
- £7,055,530 at a fixed rate at 5.89% repayable between 2014 and 2036.

	2013 £'000	2012 £'000
Finance leases		
Obligations under finance leases due as follows:		
In one year	128	117
Between two and five years	627	627
After five years	902	1,030
Total finance leases	1,657	1,774

20. PROVISIONS FOR LIABILITIES AND CHARGES

	Group and University	
	2013 £'000	2012 £'000
Unfunded pensions		
As at 1 August	11,005	6,800
Assumed on merger with ECA	–	3,044
Utilised in year	(840)	(796)
Transfer from income and expenditure account	(595)	1,957
As at 31 July	9,570	11,005

In compliance with FRS 12: Provisions, Contingent Liabilities and Contingent Assets, the above provisions relate only to contractual and legal obligations of the University.

The University has a liability for pensions payable to former members of staff who have taken early retirement. It also has a liability in respect of the supplementation of FSSU and state pensions granted to former members of the University staff. These represent the unfunded liabilities in respect of pension commitments outside the defined benefit pension schemes participated in by the University.

Notes to the financial statements

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21. DEFERRED CAPITAL GRANTS

Group	Funding council £'000	Other grants & benefactions £'000	Research income £'000	Total £'000
As at 1 August				
Buildings	173,518	157,506	–	331,024
Equipment	1,339	5,226	11,782	18,347
	174,857	162,732	11,782	349,371
Transfer	–	(98,428)	98,428	–
Transfer from endowment	–	496	1,201	1,697
Cash receivable				
Buildings	7,806	3,078	12,611	23,495
Equipment	346	3,737	3,601	7,684
	8,152	6,815	16,212	31,179
Released to income and expenditure account				
Buildings	3,363	1,261	1,489	6,113
Equipment	763	1,798	6,425	8,986
	4,126	3,059	7,914	15,099
Disposal of building	–	1,071	–	1,071
	4,126	4,130	7,914	16,170
As at 31 July				
Buildings	177,961	62,613	108,458	349,032
Equipment	922	4,872	11,251	17,045
	178,883	67,485	119,709	366,077

Notes to the financial statements

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21. DEFERRED CAPITAL GRANTS (CONTINUED)

University	Funding council £'000	Other grants & benefactions £'000	Research income £'000	Total £'000
As at 1 August				
Buildings	173,518	156,251	–	329,769
Equipment	1,339	4,499	11,782	17,620
	174,857	160,750	11,782	347,389
Transfer	–	(98,428)	98,428	–
Transfer from endowment	–	496	1,201	1,697
Cash receivable				
Buildings	7,806	787	12,611	21,204
Equipment	346	937	3,601	4,884
	8,152	1,724	16,212	26,088
Released to income and expenditure account				
Buildings	3,363	1,261	1,489	6,113
Equipment	763	1,340	6,425	8,528
	4,126	2,601	7,914	14,641
As at 31 July				
Buildings	177,961	60,138	108,458	346,557
Equipment	922	1,803	11,251	13,976
	178,883	61,941	119,709	360,533

Notes to the financial statements

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22. ENDOWMENT FUNDS

	Unrestricted permanent £'000	Restricted permanent £'000	Total permanent £'000	Restricted expendable £'000	2013 Total £'000	2012 Total £'000
Capital	–	71,130	71,130	138,079	209,209	206,798
Accumulated income	–	8,723	8,723	20,397	29,120	29,714
At 1 August 2012	–	79,853	79,853	158,476	238,329	236,512
Transferred from General Fund	3,818	–	3,818	–	3,818	–
New endowments	–	2,262	2,262	262	2,524	5,775
Addition of ECA (note 36)	–	–	–	–	–	1,018
Appreciation of endowment investments	655	13,699	14,354	26,462	40,816	(4,430)
Investment income for the year (note 6)	120	2,805	2,925	5,358	8,283	7,685
Expenditure for the year	(120)	(3,077)	(3,197)	(5,351)	(8,548)	(8,231)
Transferred to deferred capital grants	–	–	–	(1,697)	(1,697)	–
As at 31 July 2013	4,473	95,542	100,015	183,510	283,525	238,329
Represented by:						
Capital	4,473	85,687	90,160	157,990	248,150	209,209
Accumulated income	–	9,855	9,855	25,520	35,375	29,120
	4,473	95,542	100,015	183,510	283,525	238,329

23. REVALUATION RESERVE

	Group and University	
	2013 £'000	2012 £'000
As at 1 August 2012	714,883	717,272
Reclassified to permanent unrestricted endowment	(2,524)	–
Revaluation of tangible assets during the year – property (note 13)	(7,542)	–
Revaluation of tangible assets during the year – investments (note 14)	572	(77)
Revaluation of tangible assets during the year – heritage assets (note 34)	1,636	8,058
Transfer to general reserve – depreciation on revalued assets (note 24)	(7,300)	(6,700)
Disposals in the year (note 24)	(2,043)	(3,670)
As at 31 July 2013	697,682	714,883

Notes to the financial statements

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24. MOVEMENT ON RESERVES

	Group	Group	University	University
	2013	2012	2013	2012
	£'000	£'000	£'000	£'000
GENERAL RESERVE INCLUDING PENSION LIABILITY				
At 1 August 2012	273,825	250,164	270,294	245,147
Reclassified to permanent unrestricted endowment	(1,294)	–	(1,294)	–
Surplus attributable to the year (note 12)	38,251	41,665	37,516	43,151
Depreciation on revalued assets (note 23)	7,300	6,700	7,300	6,700
Realisation of revaluation gains of previous years (note 23)	2,043	3,670	2,043	3,670
Pension actuarial gain/(loss) (note 31)	32,683	(28,374)	32,683	(28,374)
Balance at 31 July 2013	352,808	273,825	348,542	270,294
Represented by:				
INCOME AND EXPENDITURE ACCOUNT				
At 1 August 2012	373,099	318,338	369,568	313,321
Reclassified to permanent unrestricted endowment	(1,294)	–	(1,294)	–
Surplus attributable to the year (note 12)	38,251	41,665	37,516	43,151
Transfer to pension reserve – ECA liability assumed	–	3,791	–	3,791
Transfer from pension reserve	(2,410)	(1,065)	(2,410)	(1,065)
Transfer from revaluation reserve	9,343	10,370	9,343	10,370
Balance at 31 July 2013	416,989	373,099	412,723	369,568
			Group and University	
			2013	2012
			£'000	£'000
PENSION RESERVE				
At 1 August 2012			(99,274)	(68,174)
Transfer to pension reserve – ECA liability assumed			–	(3,791)
Current service cost			(12,147)	(10,634)
Past service cost on settlement*			(870)	–
Employer contributions			12,741	12,260
Contributions in respect of unfunded benefits			74	69
Net finance income/(cost) to assets (notes 6 & 10)			2,612	(630)
Transfer to/(from) Income and Expenditure Account			2,410	(2,726)
Actuarial gain/(loss) (note 31)			32,683	(28,374)
At 31 July 2013			(64,181)	(99,274)

* Following the merger of the Edinburgh College of Art (ECA) with the University in 2012, certain staff transferred past service retirement benefit to the USS scheme with a resultant net cost on settlement.

Notes to the financial statements

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25. RECONCILIATION OF CONSOLIDATED SURPLUS BEFORE TAX TO NET CASH INFLOW FROM OPERATING ACTIVITIES

	Group	
	2013 £'000	2012 £'000
Surplus before tax and minority interest	38,000	41,180
Pension service cost in excess of contributions payable (note 31)	202	(1,695)
Depreciation (note 13)	32,699	31,569
Release of negative goodwill (note 36)	(1,351)	(1,461)
(Increase)/diminution of fixed asset investment	(1,779)	89
Deferred capital grants released to income (note 21)	(16,170)	(13,456)
Gain on disposal of fixed assets	(547)	(206)
Donation of heritage assets	–	(260)
Bank, other loan & finance lease interest payable (note 10)	5,604	4,188
Net interest on pension scheme assets (note 10)	–	630
Decrease/(increase) in stocks	138	(242)
Increase in debtors	(9,402)	(3,858)
Increase in accruals and deferred income	14,424	2,136
(Decrease)/increase in creditors	5,309	(2,963)
(Decrease)/increase in provisions (note 20)	(1,435)	1,161
Endowment income (note 22)	(8,283)	(7,685)
Other investment income (note 6)	(485)	(527)
Interest receivable (note 6)	(6,190)	(4,442)
Net finance income on pension scheme assets (note 6)	(2,612)	–
NET CASH INFLOW FROM OPERATING ACTIVITIES	48,122	44,158

26. RETURN ON INVESTMENT AND SERVICING OF FINANCE

	2013 £'000	2012 £'000
Endowment funds dividends and interest received	7,280	7,798
Other investment income	485	527
Net return on pension scheme assets	2,612	–
Interest received	6,526	3,397
Interest paid	(5,304)	(3,851)
Finance lease interest paid	(211)	(250)
NET CASH INFLOW FROM RETURNS ON INVESTMENT AND SERVICING OF FINANCE	11,388	7,621

Notes to the financial statements

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27. CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT

	2013 £'000	2012 £'000
Capital investment		
Purchases of tangible assets	(64,425)	(38,142)
Proceeds from sale of fixed assets	1,303	4,891
Deferred capital grants received – funding councils and research sponsors	17,690	19,849
Deferred capital grants received – other capital benefactions	8,256	6,001
Total Capital Investment	(37,176)	(7,401)
Financial investment		
Purchase of investments	(219)	(395)
Proceeds from the sale of investments (note 14)	3,876	3,156
Purchase of endowment investment assets (note 15)	(3,967)	(8,263)
Disposal of endowment investment assets (note 15)	4,435	1,126
New endowments received (note 22)	2,524	5,775
Total financial investment	6,649	1,399
NET CASH OUTFLOW FROM CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT	30,527	(6,002)

28. MANAGEMENT OF LIQUID RESOURCES

	2013 £'000	2012 £'000
Decrease/(Increase) in deposits	5,190	(98,749)
NET CASH INFLOW/(OUTFLOW) FROM THE MANAGEMENT OF LIQUID RESOURCES	5,190	(98,749)

29. FINANCING

	2013 £'000	2012 £'000
New loan	80	50,000
Loan repayments	(1,294)	(1,275)
Capital repayment of finance lease obligations	(117)	(106)
NET CASH (OUTFLOW)/INFLOW FROM FINANCING	(1,331)	48,619

Notes to the financial statements

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30. ANALYSIS OF NET FUNDS

	As at 1 August 2012 £'000	Cashflows £'000	Other Changes £'000	As at 31 July 2013 £'000
Cash in hand and at bank	12,426	32,813	–	45,239
Endowment assets:				
Cash balance held by University and Development Trust (note 15)	2,655	24	–	2,679
Total cash in hand and at bank	15,081	32,837	–	47,918
Debt due within 1 year	(1,302)	1,276	(1,325)	(1,351)
Debt due after 1 year	(107,701)	(62)	1,325	(106,438)
Finance leases	(1,774)	117	–	(1,657)
Current asset investments:				
Bank deposits	309,831	(5,190)	–	304,641
TOTAL FUNDS	214,135	28,978	–	243,113

Notes to the financial statements

(continued)

31. PENSION FUNDS

A. 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 a pensions salary sacrifice scheme for all three. The University also makes contributions to other legacy pension schemes that are closed to new employees. Some former employees of Moray House Institute of Education are covered by the Scottish Teachers Superannuation Scheme (STSS) and the Strathclyde Pension Fund (SPF). 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.

The USS and STSS 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. As a result the costs charged to the income and expenditure account reflect the contributions in year rather than the underlying deficit. Summary information by scheme is given below:

Pension scheme	Employer contribution rate at 31 July 2013	Employee contribution rate at 31 July 2013	Active members at 31 July 2013	Pension costs year to 31 July 2012 £000s	Pension costs year to 31 July 2013 £000s
USS	16%	7.5% Final Salary 6.5% Career Revalued Benefit	6,069	43,771	48,276
EUSBS	20.3%	7.5%	2,239	10,200	11,899
STSS	14.9%	6.4%-8.8%	75	619	137
LPF	17.3% + 124K	5.5%-11.2%	40	115	271
SPF	21.3% + 306K	5.5%-11.2%	40	213	534
MRC	19.6%	5.25%-6.5%	105	662	812
NEST	3%	1%	661	–	150
Other – NHS	13.5%	5%-10.9%	62	491	1,114
				56,071	63,193

Key actuarial assumptions, if appropriate, used in the valuations are:

Pension scheme	Discount rate	Salary increase rate	Pensions increase rate	Mortality rate ⁽¹⁾ : current pensioners: males	Mortality rate: current pensioners: females	Mortality rate: current pensioners: males	Mortality rate: current pensioners: females
USS	6.1%	4.4% ⁽²⁾	3.4% ⁽³⁾	23.7	25.6	25.5	27.6
EUSBS	4.6%	4.3% ⁽⁴⁾	2.5%-3.2% ⁽⁵⁾	21.3	23.6	22.5	25.1
STSS	4.9%	2% above real rate of return	–	27.5	29.5	28.0	30.0
LPF	4.6%	4.3%	2.5%	20.4	22.8	22.6	25.4
SPF	4.6%	4.3%	2.5%	21.0	23.4	23.3	25.3

1. Mortality rates are based on assumed life expectations at the retirement age.
2. Salary increases are assumed to be 1% p.a. until 31 March 2015 reverting to the long-term assumption shown thereafter.
3. Reflecting historic scheme experience; pensions would increase by 3.4% per annum for three years, following the valuation then 2.6%.
4. 2.0% p.a. for 2013/14, 3.3% p.a. for 4 years, 4.3% p.a. thereafter, 1.5% per annum thereafter. Salary increases are assumed to be 2% p.a. until 31 July 2014 then 3.3% p.a. until 31 July 2018 before reverting to the long-term.
5. Rate of increase in pensions pre 31 December 2010 is 2.5% and post 31 December 2010 is 3.20%.

Notes to the financial statements

(continued)

B. EUSBS

The EUSBS is an externally funded defined benefit scheme which is contracted out of the State Second Pension (S2P) Scheme. The assets of the scheme are held in a separate trustee-administered fund. The latest formal triennial actuarial valuation of the scheme was carried out as at 31 March 2012 and has been rolled forward. As at 31 March 2013, the value of the assets in the scheme was £277.8 million and the present value of the funded and unfunded benefits accrued was £336.4 million, leaving a shortfall of £58.6 million.

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

C. The Federated Superannuation Scheme for Universities (FSSU).

This defined contribution scheme is closed to new members. It covers staff who did not transfer to USS when it started in 1975. There are no active members but the University has eight deferred members participating in this scheme.

D. 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 contracted out of the State Second Pension (S2P) Scheme from which pensions and other related benefits are paid. The last full valuation was carried out at 31 March 2011 and the results have been rolled forward. As at 31 March 2013, the value of the University's assets in the LPF scheme was £16 million and the present value of the funded and unfunded benefits accrued is £19 million, leaving a shortfall of £3 million.

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

E. 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 MRCPS is a final salary pension scheme. Under the definitions set out in FRS17, the MRCPS is a multi-employer scheme. Under the terms of the merger the MRC 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 FRS17 and has accounted for its contributions as if it were a defined contribution scheme. The following information is available on the scheme:

The MRC operates a funded pension scheme (MRCPS) providing benefits based on service and final pensionable pay at the normal retirement age of 65. The scheme 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 6.0% and 6.5% 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 present MRCPS employers' contribution rate is 11 per cent. 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 per cent funded on an ongoing basis. The present MRCPS employers' contribution rate of 11 per cent will rise to 13 per cent in 2012/13.

F. 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, as at 31 March 2013, had more than 81,000 employees. It was established as a result of the Pensions Act 2008 which introduced the requirement to automatically enrol workers into a workplace pension scheme if they:

- are aged between 22 and are state pension age;
- earn more than £9,440 a year;
- work in the UK.

Further information is available at www.nestpensions.org.uk

Notes to the financial statements

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31. PENSION FUNDS (CONTINUED)

G. Scottish Teachers Superannuation Scheme (STSS)

The STSS provides final salary benefits to members of the former Moray House School of Education. 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. The estimated deficit as at 31 March 2013 was £3 million, based on estimated assets of £15.7 million and liabilities of £18.7 million.

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 as from 1st 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.

H. 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, contracted out of the State Second Pension (S2P) Scheme, from which pensions and other related benefits are paid. The last full valuation was carried out at 31 March 2011 and the results have been rolled forward. As at 31 March 2013, the value of the University's assets in the SPF scheme was £23.8 million and the value of the funded and unfunded benefits accrued was £26.4 million, leaving a deficit of £2.6 million.

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

I. The Universities Superannuation Scheme (USS)

The latest triennial actuarial valuation of the USS scheme was at 31 March 2011. Using the projected unit method of valuation the total value of the assets of the scheme was £32.4 billion. This is 92 per cent of the value of the benefits accrued £35.3 billion, leaving a shortfall £2.9 billion. Since then, the actuary has estimated that the funding level has fallen from 92 per cent to 77 per cent as at 31 March 2013, with assumptions in relation to investment returns and changes in the market conditions being the major factor in the drop in the rise in the estimated deficit. A recovery plan is in place to recover this deficit by March 2021. Further details of the scheme and the latest actuarial valuation can be found at www.uss.co.uk.

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

J. 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 Institute and ex-gratia payments from the University. The value of these liabilities has been calculated to be £9.5 million comprising:

- Moray House Institute: £5.4 million;
- Edinburgh College of Art: £2.5 million;
- Edinburgh University: £1.6 million.

Notes to the financial statements

(continued)

FRS17 Disclosures

The following amounts were measured in accordance with the requirements of FRS17 in respect of EUSBS, SPF and LPF and have been recognised in these financial statements.

Analysis of the amount charged to staff costs (note 7) within operating surplus

	Year to 31 July 2013 £000's	Year to 31 July 2012 £000's
Current service cost	12,147	10,634
Past service cost	870	–
Total operating charge	13,017	10,634
Less contributions paid	(12,815)	(12,329)
Pensions costs less contributions payable (note 7)	202	(1,695)

Analysis of the amount debited to other finance cost

Expected return on pension scheme assets	17,357	17,663
Interest on pension scheme liabilities	(14,745)	(18,293)
Net income/(cost) to pension scheme assets (notes 6 & 10)	2,612	(630)

Analysis of the amount recognised in the statement of recognised gains and losses (STRGL)

Difference between expected and actual return on scheme assets	33,286	(3,657)
Experience (losses)/gains arising on scheme liabilities	(3,603)	20,683
Other changes in assumptions underlying the present value of the scheme liabilities	3,000	(45,400)
Actuarial gain/(loss) recognised in the STRGL	32,683	(28,374)

Movement in deficit during year (note 24)

	Year to 31 July 2013 £000's	Year to 31 July 2012 £000's
Deficit in schemes at 1 August	99,274	68,174
Movement in year:		
Acquisition of ECA	–	3,791
Employer service cost (net of employee contributions)	13,017	10,634
Employer contributions	(12,815)	(12,329)
Net interest/return on assets	(2,612)	630
Actuarial (gain)/loss	(32,683)	28,374
Deficit in schemes at 31 July	64,181	99,274

Notes to the financial statements

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31. PENSION FUNDS (CONTINUED)

Asset and Liability Reconciliation

	Year to 31 July 2013 £000's	Year to 31 July 2012 £000's
Reconciliation of liabilities		
Liabilities at start of period	373,374	311,107
Acquisition of ECA	–	23,533
Service cost	12,147	10,634
Interest cost	14,745	18,293
Employee contributions	425	443
Actuarial gain	603	24,717
Benefits paid – funded	(15,018)	(15,284)
Benefits paid – unfunded	(74)	(69)
Liabilities transferred out on settlement	(4,417)	–
Liabilities at end of period	381,785	373,374
Reconciliation of assets		
Assets at start of period	274,100	242,933
Acquisition of ECA	–	19,742
Expected return on assets	17,357	17,663
Actuarial gain/(loss)	33,286	(3,657)
Employer contributions	12,815	12,329
Employee contributions	425	443
Benefits paid – funded	(15,018)	(15,284)
Benefits paid – unfunded	(74)	(69)
Assets distributed on settlement	(5,287)	–
Assets at end of period	317,604	274,100

	Year to 31 July 2013	Year to 31 July 2012	Year to 31 July 2011	Year to 31 July 2010	Year to 31 July 2009
History of experience gains and losses					
Difference between the expected and actual return on assets:					
Amount £000's	33,286	(3,657)	2,714	18,579	(30,940)
Percentage of scheme assets	11.0%	(1.4%)	1.1%	8.1%	(16.1%)
Experience (losses) and gain on scheme liabilities:					
Amount £000's	(3,603)	20,683	539	(4,422)	10,530
Percentage of scheme liabilities	1.0%	7.5%	0.2%	(1.4%)	3.5%
Total amount recognised in STRGL:					
Amount £000's	32,683	(28,374)	7,453	34,234	(18,756)
Percentage of scheme liabilities	9.0%	(7.6%)	2.4%	11.3%	(6.30%)

Notes to the financial statements

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32. CAPITAL COMMITMENTS

	Group		University	
	2013 £'000	2012 £'000	2013 £'000	2012 £'000
Commitments contracted for at 31 July	72,864	62,008	54,709	52,810

	Group		University	
	2013 £'000	2012 £'000	2013 £'000	2012 £'000
Amounts funded through grants and benefaction	31,714	36,578	30,976	32,423

33. FINANCIAL COMMITMENTS

At 31 July the Group and University had the following commitments under non-cancellable operating leases:

	2013 £'000	2012 £'000
Land and buildings		
Expiring within one year	1,956	4,543
Expiring within two to five years	340	2,308
Expiring in over five years	2,548	2,370
	4,844	9,221
Other		
Expiring within one year	12	52
Expiring within two to five years	616	493
Expiring in over five years	513	13
	1,141	558
Total financial commitments	5,985	9,779

Notes to the financial statements

(continued)

34. HERITAGE ASSETS

A. MAIN COLLECTIONS

The University has eight major collections, which are capitalised in the Annual Accounts.

B. UNIVERSITY POLICIES ON ACQUISITIONS, PRESERVATION, MANAGEMENT AND DISPOSAL

University of Edinburgh Museums & Galleries Collections Policies Document 2010-2015, Library Collections Policy etc are available on the website at www.ed.ac.uk/schools-departments/information-services/services/library-museum-gallery/crc/collections/museumsupport.

C. HERITAGE ASSETS CAPITALISED

Valuations: Over the 12 months of 2006, University Collections undertook a major project to value the University's formally curated collections, by a combination of methods. These were by external valuers (mainly specialist auction houses and dealers from Sotheby's Bernard Quaritch and Graham Wells), peer valuations and some in-house valuations. Annually since 2006, the overall valuation of items is reviewed and an uplift applied if required, commensurate with market activity, assessed internally by University Collections.

Collection	Method valuation	Valuation undertaken by	Information on qualifications of Collection valuers can be found at
Library Special Collections of Rare Books, Manuscripts and Archives	External	Bernard Quaritch Ltd	www.quaritch.com
Edinburgh University Collection of Historic Musical Instruments (EUCHMI)	External	Sothebys	www.sothebys.com
The Fine Art Collections	External	Sothebys and Paolozzi Foundation	www.sothebys.com Not available
Cockburn Museum of Geology	Internal	Dr John Scally	www.ed.ac.uk/schools-departments/information-services/services/library-museum-gallery/museums-and-galleries
Natural History Collections	External	Dr Margaret Reilly, Hunterian Museum, Glasgow	www.gla.ac.uk/hunterian
Museum Heritage Collection	Internal	Dr John Scally	www.ed.ac.uk/schools-departments/information-services/services/library-museum-gallery/museums-and-galleries
School of Scottish Studies Collections	External	Scottish Sound Archive	ssa.nls.uk
School of Chemistry	Internal	Dr John Scally	www.ed.ac.uk/schools-departments/information-services/services/library-museum-gallery/museums-and-galleries

D. ADDITIONS AND DISPOSALS

Since 2006 the University has received 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 the profit and loss account at valuation.

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

On loan from the University to:

- Scottish National Portrait Gallery – a portrait of Robert Leighton valued at £100,000;
- National Museum of Scotland – various print and manuscript items valued at £8,679,000;
- British Museum – a Van Meer and Derricke volume valued at £237,500;
- Royal College of Surgeons Edinburgh – items from the Lister Collection valued at £179,500.

Notes to the financial statements

(continued)

	2009 £'000	2010 £'000	2012 £'000	2012 £'000	2013 £'000
Opening balance as at 1 August	148,131	149,352	158,703	158,744	169,522
Additions	221	–	41	260	–
Acquisition of ECA	–	–	–	2,460	–
Revaluation (note 23)	1,000	9,351	–	8,058	1,636
Closing balance as at 31 July	149,352	158,703	158,744	169,522	171,158

35. RELATED PARTY TRANSACTIONS

Due to the nature of the University's operations and the composition of Court (being drawn from local public and private organisations) it is inevitable that transactions will take place with organisations in which a member of Court may have an interest. All transactions involving organisations in which a member of Court may have an interest are conducted at arm's length and in accordance with the University's financial regulations and normal procurement procedures. All the transactions with the related parties are conducted on normal commercial terms, or on the basis of a simple recharge of direct costs incurred.

36. BENEFITS ARISING FROM ACQUISITIONS

	2013 £'000	2012 £'000
As at 1 August	28,363	–
Negative goodwill arising in the year	–	29,824
Release of negative goodwill to income	(1,351)	(1,461)
As at 31 July	27,012	28,363

Negative goodwill

- arose in 2012 in association with the Edinburgh College of Art merger and the Medical Research Council Human Genetic Unit merger;
- arose based on the difference between the fair value of the consideration given for the undertakings acquired and the higher fair value of the separable net assets at the date of acquisition;
- relating to the monetary assets was released to the income and expenditure account in the year of acquisition;
- relating to non-monetary assets is being released to the income and expenditure account as those assets are recovered through depreciation or sale and is being amortised over the estimated economic life of 10 years on a straight line basis.

37. STUDENT SUPPORT FUNDS

	2013 HE childcare £000's	2013 HE discretionary undergraduate £000's	2013 HE discretionary postgraduate £000's	2013 Total £000's	2012 Total £000's
Balance brought forward	–	–	–	–	72
Allocation received in year	321	805	290	1,416	1,444
Expenditure	(218)	(1,074)	(124)	(1,416)	(1,516)
Virements	(103)	269	(166)	–	–
Balance carried forward	–	–	–	–	–

Five-year financial summary

GROUP INCOME AND EXPENDITURE ACCOUNT FOR THE YEAR TO 31 JULY	2013 £'000	2012 £'000	2011 £'000	2010 £'000	2009 £'000
Income					
Funding council grants					
Recurrent teaching grant	80,621	76,757	79,392	80,883	82,023
Recurrent research grant	93,439	83,243	82,160	79,897	72,755
Specific grants	26,096	25,446	24,998	34,346	26,112
Deferred capital grants released in year	4,126	3,992	2,958	2,652	2,634
Total grants	204,282	189,438	189,508	197,778	183,524
Tuition fees					
Home and EU higher education students	64,144	47,397	47,083	48,044	42,600
Non-EU fees	93,435	85,427	68,652	55,580	43,123
Education grants	16,500	17,474	15,325	6,316	6,209
Total fees	174,079	150,298	131,060	109,940	91,932
Research grants and contracts					
Research councils	97,054	94,473	84,212	82,341	75,248
UK-based charities	43,335	43,624	42,999	44,480	40,677
UK central, government bodies, local and health authorities	17,346	17,316	17,781	21,345	23,585
UK industry, commerce and public corporations	8,733	7,852	10,080	10,286	10,607
EU government bodies	23,383	19,611	17,329	17,511	15,669
EU other	1,614	1,262	721	1,152	870
Other overseas	5,011	4,484	4,463	4,227	4,207
Other sources	3,647	4,497	3,405	3,937	3,785
Total grants	200,123	193,119	180,990	185,279	174,648
Other operating income					
Residences, catering and conferences	48,195	43,668	39,434	39,594	34,691
Specific grants, donations and other designated income	28,869	40,590	35,319	40,278	41,323
General income	60,258	63,876	58,408	47,496	48,114
Deferred capital grants released in year	3,059	5,783	4,388	4,023	2,913
Benefit on acquisition	1,351	1,461	–	–	–
Total other income	141,732	155,378	137,549	131,391	127,041
Endowment income and interest receivable					
Income from expendable endowments	5,292	5,118	5,210	5,105	4,914
Income from permanent endowments	2,991	2,567	2,473	2,281	2,072
Other investment income	485	527	475	719	973
Other interest receivable	8,802	4,442	1,965	1,486	6,429
Total endowment income and interest receivable	17,570	12,654	10,123	9,591	14,388
Total income	737,786	700,887	649,230	633,979	591,533

Five-year financial summary

(continued)

GROUP INCOME AND EXPENDITURE ACCOUNT FOR THE YEAR TO 31 JULY	2013 £'000	2012 £'000	2011 £'000	2010 £'000	2009 £'000
Expenditure					
Staff costs					
Salaries and wages	291,214	272,100	257,721	258,934	253,881
Social security costs	21,716	22,391	20,899	20,799	20,621
Other pension costs	63,180	56,071	50,864	54,627	49,506
Severance costs	1,750	2,064	2,299	4,721	2,926
Unfunded pensions	(595)	2,047	(606)	668	1,353
Total salaries	377,265	354,673	331,177	339,749	328,287
Other operating expenses					
Academic and related expenditure	68,119	62,216	55,808	57,782	50,799
Research grants and contracts	75,774	70,895	61,925	63,809	57,160
Library, computer and other academic support services	14,803	23,087	14,237	12,121	14,877
Administration and central services	22,696	17,091	16,075	14,754	16,021
Premises	61,085	54,050	57,944	64,642	66,096
Other including income generating operations	14,094	19,076	18,719	9,652	8,582
Residences and catering operations	28,194	22,438	19,221	20,248	17,625
Total other operating expenses	284,765	268,853	243,929	243,008	231,160
Depreciation	32,699	31,569	25,579	24,333	21,957
Interest payable	5,604	4,818	4,798	6,745	6,232
Total expenditure	700,333	659,913	605,483	613,835	587,636
Surplus on continuing operations	37,453	40,974	43,747	20,144	3,897
Tax and minority interest	(14)	(61)	(4)	(11)	4
(Loss)/gains on disposal of assets	547	206	(66)	(997)	(77)
Transfers from/(to) endowment reserves	265	546	(1,454)	(820)	142
Surplus retained within general reserves	38,251	41,665	42,223	18,316	3,966

Five-year financial summary

(continued)

GROUP BALANCE SHEET AS AT 31 JULY	2013 £million	2012 £million	2011 £million	2010 £million	2009 £million
Fixed assets	1,399	1,379	1,347	1,298	1,056
Endowment assets	284	238	237	200	165
Current assets	450	415	316	257	260
Total assets	2,133	2,032	1,900	1,755	1,481
Less current liabilities	(250)	(236)	(230)	(219)	(220)
Total assets less current liabilities	1,882	1,796	1,670	1,536	1,261
Non-current liabilities and provisions	(118)	(121)	(61)	(63)	(64)
Pension liability	(64)	(99)	(68)	(77)	(106)
TOTAL NET ASSETS	1,700	1,576	1,541	1,396	1,091
Represented by :					
Deferred capital grants	366	349	337	278	254
Endowments	284	238	237	200	165
Reserves	1,050	989	967	918	672
TOTAL FUNDS	1,700	1,576	1,541	1,396	1,091
Staff numbers (expressed as full time equivalents) as at 31 July	8,342	7,871	7,255	7,341	7,364
Student numbers as at 31 July	32,868	31,323	28,978	28,394	26,951
Performance measures set out in the Strategic Plan					
ROCE (net surplus after tax/capital employed (total assets – current liabilities))	1.99%	2.28%	2.62%	1.46%	0.31%
Operating surplus as % turnover	5.19%	5.85%	6.74%	3.18%	0.66%
Total income per FTE	£88,439	£89,074	£89,487	£86,361	£80,328
% Increase/decrease in income per FTE	-0.71%	-0.46%	3.62%	7.51%	6.58%
% Increase/decrease in research grant income – EU	19.76%	15.64%	-3.28%	12.84%	15.50%
% Increase/decrease in research grant income – research councils	1.60%	12.18%	2.27%	9.43%	28.89%
% Increase/decrease in research grant income – overseas	11.75%	0.47%	5.58%	0.48%	36.15%

Five-year financial summary

(continued)

	2013	2012	2011	2010	2009
Liquidity measures					
Liquidity ratio ((current assets – stock)/current liabilities)	1.79	1.74	1.34	1.16	1.17
Extent to which current liabilities can be met from cash and liquid investments					
Days ratio of cash to total expenditure (investments + cash at bank – overdraft)/ (total expenditure – depreciation)*365	191	187	141	105	113
<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					
Measures how easily the University can pay outstanding debt	6.78	8.55	9.10	2.84	0.61
Debt cover (interest + capital repayments, times covered by operating cashflow)					
Gearing (creditors > 1 year/endowment + general reserves including pension reserve)	8.14%	8.96%	4.49%	5.75%	6.74%
<i>Measures the extent to which the University is funded by long-term debt</i>					
Operating performance					
EBITDA (historic cost surplus for year + depreciation and amortisation + interest payable + tax charges – release of deferred capital grants – exceptional items + FRS staff charges)	£58m	£63m	£59m	£43m	£26m
Margin of sustainability (MSI)					
Level of required operating cash (consolidated turnover – release of all deferred capital grants in that year) X 100	10%				
<i>This is a recommended calculation by HEFCE and it shows the level of cash generation required for sustainability based on plan.</i>					

Five-year financial summary

(continued)

GROUP INCOME AND EXPENDITURE ACCOUNT FOR THE YEAR TO 31 JULY	2013 %total	2012 %total	2011 %total	2010 %total	2009 %total
Income					
Funding council grants					
Recurrent teaching grant	10.93%	10.95%	12.23%	12.76%	13.87%
Recurrent research grant	12.66%	11.88%	12.65%	12.60%	12.30%
Specific grants	3.54%	3.63%	3.85%	5.42%	4.41%
Deferred capital grants released in year	0.56%	0.57%	0.46%	0.42%	0.45%
Funding council grants as % of total income	27.69%	27.03%	29.19%	31.20%	31.03%
Tuition Fees and Contracts					
Home and EU higher education students	8.69%	6.76%	7.25%	7.58%	7.20%
Non-EU fees	12.66%	12.19%	10.57%	8.77%	7.29%
Education grants	2.24%	2.49%	2.36%	1.00%	1.05%
Tuition fees as a % of total income	23.59%	21.44%	20.19%	17.34%	15.54%
Research grants and cContracts					
Research councils	13.16%	13.48%	12.97%	12.99%	12.72%
UK-based charities	5.87%	6.22%	6.62%	7.02%	6.88%
UK central, government bodies, local and health authorities	2.35%	2.47%	2.74%	3.37%	3.99%
UK industry, commerce and public corporations	1.18%	1.12%	1.55%	1.62%	1.79%
EU government bodies	3.17%	2.80%	2.67%	2.76%	2.65%
EU other	0.22%	0.18%	0.11%	0.18%	0.15%
Other overseas	0.68%	0.64%	0.69%	0.67%	0.71%
Other sources	0.49%	0.64%	0.52%	0.62%	0.64%
Research grants and contracts as a % of total income	27.12%	27.55%	27.88%	29.22%	29.52%
Other operating income					
Residences, catering and conferences	6.53%	6.23%	6.07%	6.25%	5.86%
Specific grants, donations and other designated income	3.91%	5.79%	5.44%	6.35%	6.99%
General income	8.18%	9.11%	9.00%	7.49%	8.13%
Released from deferred capital grants	0.41%	0.83%	0.68%	0.63%	0.49%
Benefit on acquisition	0.18%	0.21%	0.00%	0.00%	0.00%
Other operating income as a % of total income	19.21%	22.17%	21.19%	20.72%	21.48%
Endowment income and interest receivable					
Income from expendable endowments	0.72%	0.73%	0.80%	0.81%	0.83%
Income from permanent endowments	0.41%	0.37%	0.38%	0.36%	0.35%
Other investment income	0.07%	0.08%	0.07%	0.11%	0.16%
Other interest receivable	1.19%	0.63%	0.30%	0.23%	1.09%
Endowment income and interest receivable as % of total income	2.38%	1.81%	1.56%	1.51%	2.43%
Total income	737,786	700,887	649,230	633,979	591,533

Five-year financial summary

(continued)

GROUP INCOME AND EXPENDITURE ACCOUNT FOR THE YEAR TO 31 JULY	2013 %total	2012 %total	2011 %total	2010 %total	2009 %total
Expenditure					
Staff Costs					
Salaries and wages	41.58%	41.23%	42.56%	42.18%	43.20%
Social security costs	3.10%	3.39%	3.45%	3.39%	3.51%
Other pension costs	9.02%	8.50%	8.40%	8.90%	8.42%
Severance costs	0.25%	0.31%	0.38%	0.77%	0.50%
Unfunded pensions	-0.08%	0.31%	-0.10%	0.11%	0.23%
Staff costs as % of total expenditure	53.87%	53.75%	54.70%	55.35%	55.87%
Other Operating Expenses					
Academic and related expenditure	9.73%	9.43%	9.22%	9.41%	8.64%
Research grants and contracts	10.82%	10.74%	10.23%	10.40%	9.73%
Library, computer and other academic support services	2.11%	3.50%	2.35%	1.97%	2.53%
Administration and central services	3.24%	2.59%	2.65%	2.40%	2.73%
Premises	8.72%	8.19%	9.57%	10.53%	11.25%
Other including income generating operations	2.01%	2.89%	3.09%	1.57%	1.46%
Residences and catering operations	4.03%	3.40%	3.17%	3.30%	3.00%
Other operating expenses as % of total expenditure	40.66%	40.74%	40.29%	39.59%	39.34%
Depreciation	5%	5%	4%	4%	4%
Interest payable	1%	1%	1%	1%	1%
Total expenditure	700,333	659,913	605,483	613,835	587,636
Expenditure as a proportion of total Income	94.92%	94.15%	93.26%	96.82%	99.34%

Notes

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