

THE UNIVERSITY *of* EDINBURGH  
Annual Report and Accounts  
for the Year to 31 July 2014

[www.ed.ac.uk](http://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 benefiting 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 95 per cent and remains higher than the UK and Scottish averages.\*

\*Source: HESA Destination of Leavers of Higher Education survey, published July 2014.

University world league table position\*

2014	17th
2013	17th

\*Source: QS World University Rankings.



35:48

The University created 35 new companies and completed 48 commercial licences.



12%

The value of research applications in 2013/14 grew by 12 percent.

Total research income (£m)

2014	216
2013	200
2012	193
2011	181



# Highlights of 2014: a strong financial position

## Total revenue (£m)

2014	781
2013	738
2012	701
2011	649

## Student numbers

2014	33,110
2013	32,868
2012	31,323
2011	28,978

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

2014	55
2013	58
2012	63
2011	60

## Endowment fund value (£m)

2014	298
2013	284
2012	238
2011	237

# 52%

Percentage of annual income invested in staff costs.

# 41%

The percentage of students from outside the UK.

# 4%

Operating surplus as a percentage of total income.

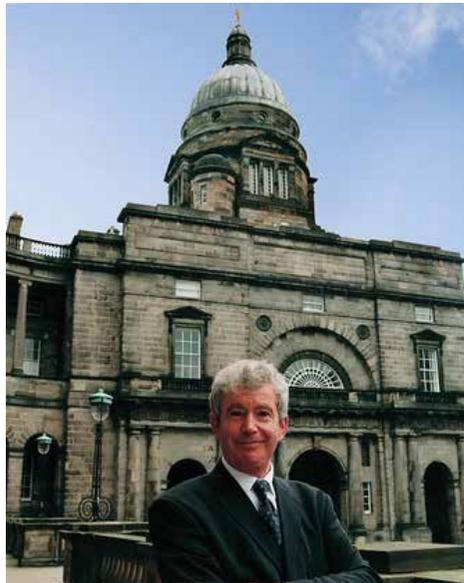
# 7.6%

The University's annual return on endowment funds.

To view our *Annual Report and Accounts Online*, please visit:  
[www.accounts.finance.ed.ac.uk](http://www.accounts.finance.ed.ac.uk)

# Principal's report

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



## Introduction

I am very proud of the University's successes over the past year. We have made great strides forward in improving the student learning experience and the University's research has global impact and attracts international attention.

## Excellence in education

Enhancing the quality of the student experience and delivering top-quality teaching has remained a priority. We were delighted to celebrate the fifth anniversary of the EUSA Teaching Awards in which teaching talent was recognised by a judging panel made up of current students. Learning programmes such as Innovative Learning Week were a great success with pioneering projects such as Edinburgh College of Art's Strictly Come Drawing event in which amateur artists and school children, came together with students to capture the spirit and movement of dancers.

Our commitment to recruiting the brightest and best students regardless of their financial situation was reflected in our continuing investment in bursary provision for UK undergraduates. In addition, £4 million was shared between 1,700 students from low income backgrounds through scholarships supported through the donations of alumni, friends and from the University itself. We will continue to offer a wide range of scholarships including our Edinburgh Global Awards, which support international students at both undergraduate and postgraduate level.

The Destination of Leavers from Higher Education (DLHE) survey results show that 94.6 per cent of our UK graduate leavers (first degree full-time programme) are in employment or further study six months after graduating. This figure remains higher than the UK and Scottish averages, and places us third in the Russell Group. There has been a trend for

graduate recruiters to begin targeting students earlier. This has allowed employers to engage with students and generate interest in advance of graduate role applications. The Careers Service has continued to enhance programmes which meet this trend and has also developed and piloted new programmes which give students ample opportunity to develop and enhance their employability skills, whether through centrally delivered events or activities or bespoke developments in partnerships with Schools.

We are pleased to report the ongoing success story of the University's range of free Massive Open Online Courses (MOOCs) which continue to attract tens of thousands of students from around the world. In fact, we recently passed our millionth MOOC learner. Sixteen MOOCs, covering a wide range of subjects, have been launched, most recently a highly informative free course on the Higgs boson particle, and we have distributed almost 100,000 free completion certificates and accepted fees for a further 5,000 certificates.

In the College of Medicine & Veterinary Medicine, students have benefited from teaching innovations such as a virtual cadaver created by researchers. The Anatomage Table has allowed students to investigate the human body by virtually dissecting it. Anatomy teachers say the device allows the body, and the relationship of structures within it, to be visualised in great detail.

Our staff are key to our success and recent initiatives have seen the number of staff receiving an annual appraisal reach 92 per cent. New approaches to supporting staff through tailored induction processes have been developed. A flexible mentoring framework has been rolled out across the University with participants reporting significant achievements in relation to their goals.

# 92%

The proportion of the University's staff that received an annual appraisal.

# £20m

More than £20 million was spent on scholarships, student funding and awards in 2014.

Innovative Learning Week  
Drawing projects at ECA were a great success.



“

We have a long tradition of supporting students of all ages and social backgrounds and we remain committed to ensuring this continues. Students with academic ability and potential should be able to gain admission and succeed at university whatever their circumstances.

”

Professor Charlie Jeffery  
Senior Vice-Principal



# Principal's report

(continued)

# £56m

The Li-Fi Research & Development Centre centre is expected to add £56 million to the Scottish economy within 10 years.

## Excellence in research

Our research across all Colleges at the University has been truly outstanding in recent years and I'm pleased to say it is on target again this year. The University continues to produce research which has the potential to improve the quality of our lives.

The University has had another very successful year for securing new research awards. The total value of new awards was £270 million which is 10 per cent lower than last year's record figure of £300 million, but if we remove the exceptional Institute of Genetics and Molecular Medicine quinquennial awards from last year's figures, the underlying performance reveals a 12 per cent increase. The value of awards from EU Government and UK Charities were up by 72 per cent and 44 per cent respectively on the previous year totals, with £53 million being secured from each sponsor.

Among some of the most noteworthy moments has been the award of a Nobel Prize in Physics to Emeritus Professor Peter Higgs at an award ceremony in Stockholm. The University is now to develop further its expertise in theoretical physics with the opening of the Higgs Centre for Theoretical Physics at the King's Buildings campus.

The ARCHER supercomputer was unveiled at the University. ARCHER (Academic Research Computing High End Resource), a supercomputer capable of more than one million billion calculations a second, will provide high performance computing support for research and industry projects in the UK and help scientists carry out sophisticated, complex calculations in diverse research areas.

The FloWave Ocean Energy Research Facility was officially opened at our King's Buildings campus. This is a unique wave tank for testing and de-risking marine energy technologies and projects. Elsewhere, academics including Dr Thomas Bak are contributing to our understanding of global health challenges such as dementia. His research has shown that learning a second language can delay the disease's onset.



**European research centre**  
Vets, scientists and technical specialists are teaming up to create a new research centre at our Easter Bush campus.

And those looking for solutions to major issues such as climate change will benefit from the state-of-the-art Edinburgh Centre for Carbon Innovation, which is now open for business. The centre fosters collaborative working between policy, community and business leaders to support and deliver workable solutions for a low carbon future.

## Excellence in innovation

The University's commercialisation and knowledge transfer activities continue to make a very positive impact on the economy. The University created another 35 new companies in the period to July 2014 including four from a pilot programme to support the postdoctoral community.

We completed 48 commercial licences, 65 embedded (in R&D contracts) licences, and 69 open technology/easy access deals in the same period, and launched our e-lucid click-thru licensing portal. Twenty-three technologies are already available: <https://licensing.eri.ed.ac.uk/>.

The University's research and commercialisation company, Edinburgh Research and Innovation (ERI) won funding from the Scottish Funding Council to coordinate the Enterprise Campus programme in collaboration with the Universities of Strathclyde and Aberdeen. This programme commenced in August 2014 and will roll out ERI's already successful postgraduate support activities across all Scottish universities.

In December 2013, the University established the Li-Fi Research & Development Centre, which is dedicated to accelerating the development of Li-Fi as a major global industry, through creating a pipeline for innovative ideas, technologies, products and partnerships. The Centre conducts internationally leading research in collaborations with, and on behalf of, industry and aims to accelerate society's adoption of Li-Fi and other emerging wireless technology.

It has already attracted research contracts worth more than £5 million, and an economic impact study commissioned in June 2014 established that with the Li-Fi industry expected to grow to \$US6 billion by 2018. The Li-Fi R&D Centre can be expected to add £56 million GVA per annum to the Scottish economy within 10 years and support more than 1,130 jobs in Scotland.

## The student experience

Overall satisfaction levels as measured in both the National Student Survey and the Edinburgh Student Experience Survey have remained at the same level (82 per cent) as last year. However, satisfaction has risen across almost all of the other main areas explored in the survey, with significant improvements in areas that are linked to our focus on employability and student support. The data contain positive signs of improvement and recovery, which we pursue vigorously.

The University has continued to invest significantly in enhancements to the student experience. The three-year Student Experience Project is addressing multiple areas including: improvements to induction and orientation; a growing network of Student Information Points, which provide students with access to a range of services and information at or close to their study location; and a raft of prize-winning communications with our students, including an improved student support website and a new range of student newsletters.

On the policy front, Senate approved rigorous new approaches to the timely provision of feedback, and IT systems were developed to deliver final exam results more quickly and online. In partnership with EUSA, we have also put resource into two pieces of work around student engagement, one to ensure that all Schools have Peer Support Networks, and the other to set up School Councils.

To further enhance the support provided for all students, the University introduced an Accessible and Inclusive Learning policy. The policy mainstreams seven areas of support which were previously recommended only for disabled students and represents a significant step towards a more inclusive approach to teaching and learning.

Additional resources have increased the capacity of the Student Counselling Service by 50 per cent through extended evening opening hours and counselling support now being available over five campus locations during the academic year. The range of therapeutic approaches available to students has been extended, including online counselling accessible to all students, especially those on study abroad programmes and online distance learners.

A new approach to timetabling was introduced in 2012, with subsequent developments seeing the introduction of a personalised timetable service to taught students. This period has also seen the introduction of timetabling planning tools to assist Schools with more flexible and smarter timetable planning that supports greater choice and timetabling efficiency from the student's perspective. There has been a significant increase in the number of spaces students can book online for study purposes.

#### Global impact

We were delighted to see Edinburgh again ranked joint 17th in the QS World University Rankings.

The University's internationalisation strategy, Edinburgh Global, aims to attract the most able minds from anywhere in the world, provide students and staff with a world-class experience and ensure that teaching and research delivers global benefits. The over-arching aim is to embed internationalisation across the University through a number of ways,

including: building high-quality research and teaching partnerships; enhancing international student and staff recruitment; engaging with alumni from around the world and supporting our international students during their time at Edinburgh.

At home, the launch of the Edinburgh India Institute was attended by Dr APJ Abdul Kalam, President of India (2002–2007). The Institute is intended to showcase and celebrate the University's longstanding engagement with India, provide a forum for interdisciplinary opportunities, and help establish new partnerships.

A Centre for Cultural Relations was established to build the University as a global centre of excellence in fundamental research in cultural relations, and a Joint National Research Centre on the Study of China was launched at a 'Peking University at the University of Edinburgh Day'. This partnership will provide a superb opportunity to build a distinctive centre of excellence in China studies.

One outstanding example of Edinburgh Global in action is our burgeoning relationship with the University of Delhi. The Edinburgh–Delhi link is exceptional, encompassing innovative teaching, mobility, academic exchange, sport and culture. Activity this year has included the pioneering Delhi–Edinburgh online lecture series which brought together students from the two universities in a shared learning experience where leading speakers engaged with topics of global interest and encouraged discussion in a dynamic, live interactive setting.

Our Disability and International Offices hosted a group of Delhi students with disabilities for two weeks to gain first-hand knowledge of how students with disabilities are supported in UK institutions.

# £465m

The University paid more than £465 million to staff, students and suppliers based in Scotland.

# £14.2m

The value of cash donations from alumni.



#### Chinese warriors

The lanterns, inspired by the Terracotta Army, were created by artist Xia Nan and displayed at the University over Chinese New Year 2014.

#### Lifelong community

It has been another good year for the General Council, with an excellent and invigorating international meeting and wonderful accompanying events held in Toronto in June. Honorary degrees were awarded to Margaret Atwood, General John de Chastelain, Beverley McLachlin and Garrett Herman.

In February, our Chancellor opened the Patrick Wild Centre for Research into Autism, Fragile X Syndrome & Intellectual Disability. Part of the centre, the Shirley Imaging Suites, made possible by a significant donation from Dame Steve Shirley, houses the latest generation of brain-imaging microscopes. Transforming this area of research, the technology enables scientists to look at living brain cells and the neural circuits they form.

Together with the Edinburgh University Press, colleagues in the College of Humanities & Social Science have produced a huge body of work on the Scottish referendum, with our researchers at the very core of much of this.

We greatly appreciate the donations and awards from our alumni and friends of the University. They contributed £14.2 million last year, £1 million more than the previous year. This is an important source of revenue to support education and research. Since 2006–07, the Development Trust has allocated more than £102 million in cash donations supporting a range of projects within the University.

# Principal's report

(continued)

## 1st

The University was the first in the UK to have a Department for Social Responsibility and Sustainability.



**Film in the Old College Quad**  
The University of Edinburgh's Old college quadrangle was transformed into an open air cinema in August for a week-long series of film screenings.

### Social responsibility

The University officially launched its Department for Social Responsibility and Sustainability, and in doing so became the first university in the UK to have such a function. The department is responsible for promoting and embedding sustainable practices within the University, including energy efficiency, recycling, ethical investment and procurement, and it will help to ensure Edinburgh continues to make significant, sustainable and socially responsible contributions to Scotland and the UK.

In 2004, Edinburgh became the first Fairtrade-accredited university in Scotland, following a campaign by EUSA. This year marks a decade of our Fairtrade status which was celebrated with a series of exhibitions, talks and other events.

### Partnership

The University's engagement in Edinburgh's flourishing Festivals continues to go from strength to strength. From newcomers to the scene like the History Festival in November through to the ever-popular Science Festival in April and on to the summer extravaganza of International, Fringe, Book, Art and Film festivals we are involved in countless events.

Among this year's highlights was a five-star exhibition in the Playfair Library, hosted by the University, for the International Festival and us welcoming more than a million visitors across our 50 Festival Fringe venues. The Business School curated and hosted a talks series for the first time - *The Media Series* was a great success. The University hosted a series of outdoor film screenings in Old College quadrangle for the first time, which saw us partnering with the Film Festival to screen old favourites, popular classics and

new work from our students and staff at Edinburgh College of Art. Our academics contributed to talks in both the Fringe and the International Festival and were supported through a dedicated section on the University website for the first time: [www.ed.ac.uk/festivals](http://www.ed.ac.uk/festivals).

### Equality and widening participation

We are contributing to the University's wider social objectives such as addressing high unemployment among young people, through active promotion of apprenticeships and the Edinburgh Guarantee.

A cohort of our female staff participated in the national "Aurora" leadership programme for women and have reported positive feedback from that. A second cohort will be supported in 2014/15.

The FIFA World Cup was the focus of a free online course from the University. *Football: More than a Game* explored the world's most popular sport and its role in the world today. The six-week MOOC involved a mix of teaching styles, including video presentations, online debates and role-play, and recognised not only that football is an international language but that it can help to widen access to education.

A group of volunteer Dignity & Respect Advisors for staff have been recruited. A programme of training and networking sessions will be provided quarterly.

The Equality Management Committee has been formed with a remit on behalf of Central Management Group to exercise strategic and management oversight of equality and diversity for staff and students.

Human Resources are working jointly with representatives from the trade unions and EUSA on a programme of work to advance employment practices in the area of hourly paid staff.

### The Future

There are many challenges ahead. We will have to continually innovate in the ways we support our students. We will have to be creative as we change the boundaries of the current academic domains and disciplines and as we create new disciplines. We will have to enlarge our stakeholder base paying more attention to Continental Europe and Latin America. Funding will never be certain and we will have to secure more support from our alumni and stakeholders.

I thank our exceptional students, talented staff and generous alumni for all they have done together to secure the successes detailed in this document. These strong communities that support the University make me optimistic about the future.

**Professor Sir Timothy O'Shea**  
Principal and Vice-Chancellor



**Our strategy in action**

# Excellence in research

Faster, more reliable internet connections will move a step closer to reality with the opening of the Li-Fi Research and Development Centre at the University. Li-Fi high-speed internet technology which is more secure and versatile than Wi-Fi, will be developed at the facility.

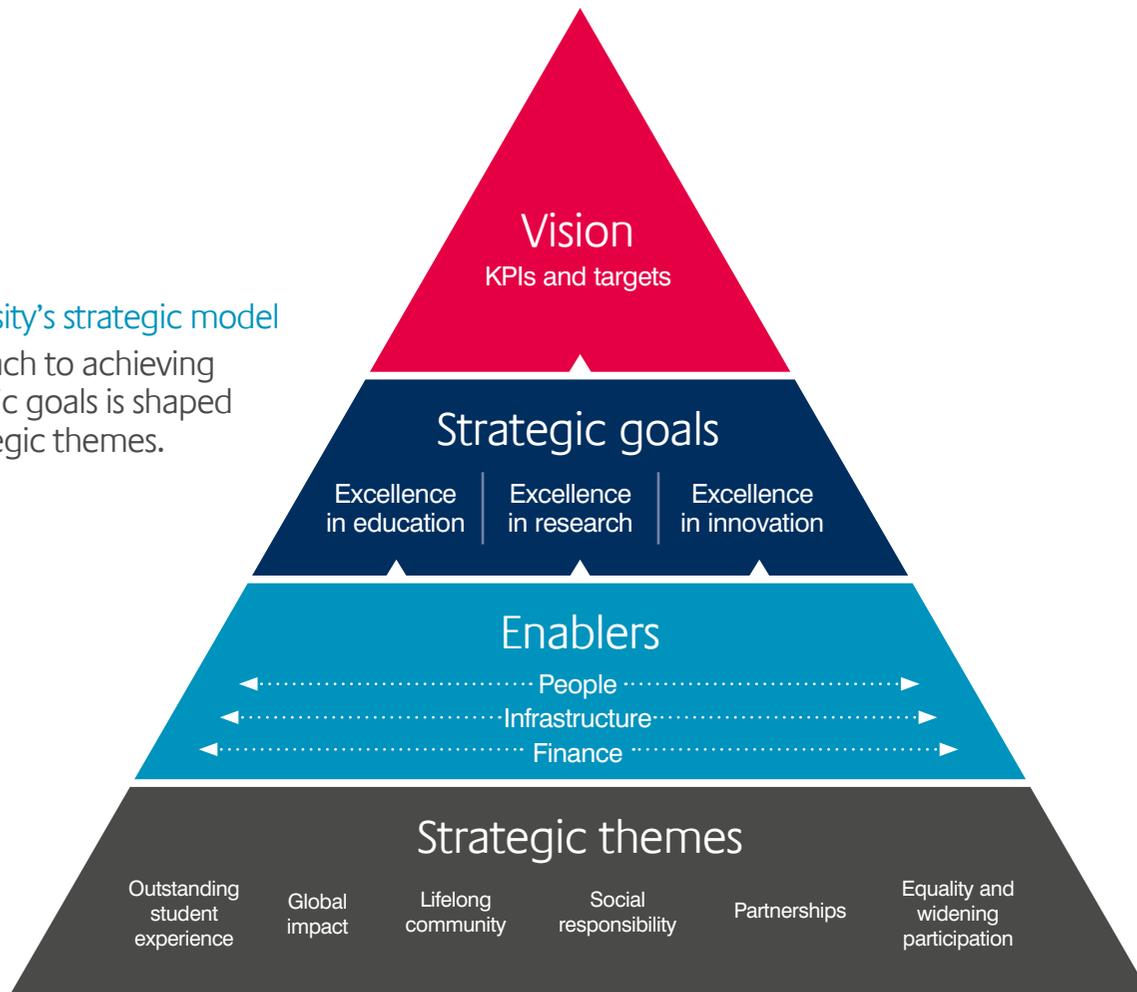
“This internationally leading UK centre will accelerate the adoption of Li-Fi and emerging wireless technology through engagement with major industrial partners, to fully harness the commercial and innovative potential of Li-Fi, and establish a major new \$6 billion Li-Fi industry.”

**Professor Harold Haas**  
**Chair of Mobile Communications**

# Strategy and value model

## The University's strategic model

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



## Our mission

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

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

## Our structure

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

2013/14	Staff numbers	Student numbers	Expenditure
College of Medicine & Veterinary Medicine	2,676	5,036	£182m
College of Science & Engineering	3,003	7,774	£164m
College of Humanities & Social Science	3,563	20,300	£135m
Student and Academic Services Group (University Secretary's Group from 1 November 2014)	695	–	£36m
Corporate Services Group and Subsidiaries	2,255	–	£116m
Information Services Group	719	–	£37m
Corporate Group	–	–	£77m
<b>Total</b>	<b>12,911</b>	<b>33,110</b>	<b>£747m</b>



## Junior vets learn from University experts Enabled by exceptional people

Animal experts from the University of Edinburgh will help children get to grips with life as a vet in the return of a popular television series.

CBBC's *Junior Vets* gives six children from across the UK the opportunity to learn how to treat sick and injured animals and get hands on with real-life cases.

"We're delighted to have welcomed *Junior Vets* back for a second series, which showcases the range of exciting experiences that life as a vet can bring. Being a vet is immensely rewarding and we hope the show will inspire young people from all backgrounds to consider a career in animal medicine."

**Professor David Argyle**  
Head of School, Royal (Dick) School of Veterinary Studies

# Strategy and value model

(continued)

## 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. We will continue contributing to finding ways of addressing and resolving the major global challenges as well as being an active contributor to the 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: teaching, research and commercialisation.

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

## 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 personal development) impacts positively on the ability of the student to maximise the benefits of the learning experience. Income is generated through government grants, tuition fees, contracts and through the generous donations of alumni and philanthropists.

## Research

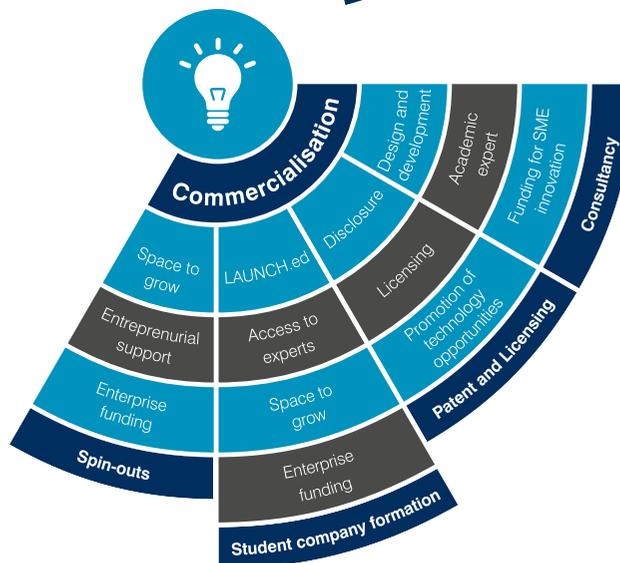
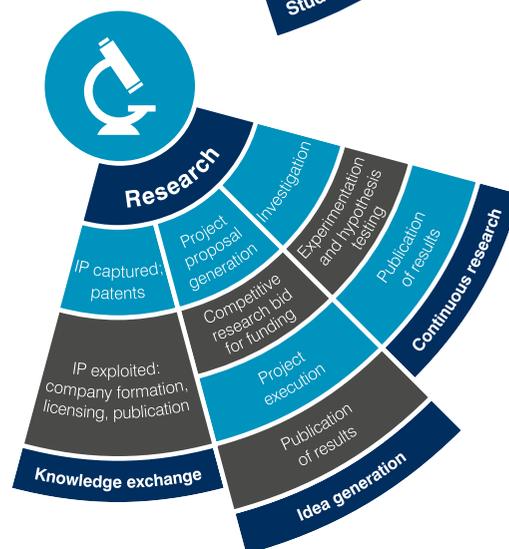
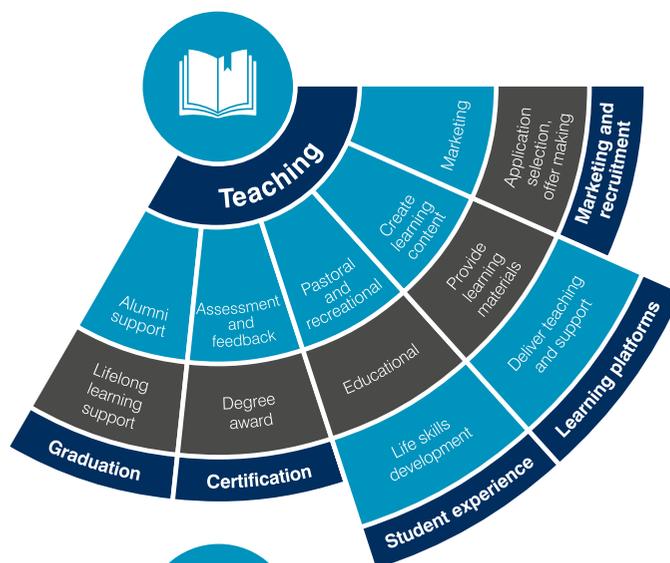
Successful, sustainable research requires a critical mass of human insight and excellent physical infrastructure at its core to provide the platform for dynamism and impact.

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

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

## Commercialisation

Edinburgh Research and Innovation is one of the UK university 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.



## Strategic plan

The University's *Strategic Plan 2012–16* was published on 3 September 2012 and can be found at:

[www.ed.ac.uk/schools-departments/governance-strategic-planning/strategic-planning](http://www.ed.ac.uk/schools-departments/governance-strategic-planning/strategic-planning).

N/A Not available    ↑ Increasing    ↓ Decreasing    ↔ Maintaining

Strategic goal	KPIs	Status
Excellence in education	Proportion of leavers achieving a successful outcome (degree, transfer or other award)	↔
Excellence in research	Russell Group market share of research income (spend)	↔
Excellence in innovation	Knowledge exchange metrics: number of disclosures, patents, licenses and new company formations	↓

Enablers	KPIs	Status
People	Proportion of staff who have had an annual review within the previous year	↑
Infrastructure	Total income per square metre of gross internal area	↑
Finance	Operating surplus as a % of turnover	↓

Strategic themes	KPIs	Status
Outstanding student experience	Proportion of graduates (undergraduate and postgraduate) in graduate-level employment or further study	↑ Undergraduate
Global impact	Proportion of international students from beyond our five most well-represented countries	↑ Postgraduate taught
		↑ Postgraduate research

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.

Targets	Red/amber/green status
Increase student satisfaction with academic and pastoral support	●
Increase student satisfaction with opportunities and support for developing graduate attributes and employability	●
Increase average number of PhD students per member of academic staff to at least 2.5	●
Increase score for the citations-based measure in the THE World University Rankings to at least 94/100	●
Achieve at least 200 public policy impacts per annum	●
Increase economic impact, measured by GVA, by at least 8%	N/A

Targets	Red/amber/green status
Achieve the institutional Athena SWAN Silver award	●
Increase number of international applications for academic posts	●
Increase average number of international applications for academic posts advertised	●
Increase the proportion of our buildings at condition grades A and B on a year-on-year basis, aiming for at least 90% by 2020	●
Increase student satisfaction with learning resources (library, IT resources, study space and equipment) to at least 85%	●
Increase our total income per staff full-time equivalent (FTE) year-on-year, aiming for an increase of 10% in real terms	●
Increase our Return on Capital Employed (ROCE)	●

Targets	Red/amber/green status
Increase the level of overall satisfaction expressed in responses to the NSS, PTES and PRES student surveys 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	●
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	●
Increase our number of masters students on programmes established through our Global Academies by at least 500	●

# Strategy and value model

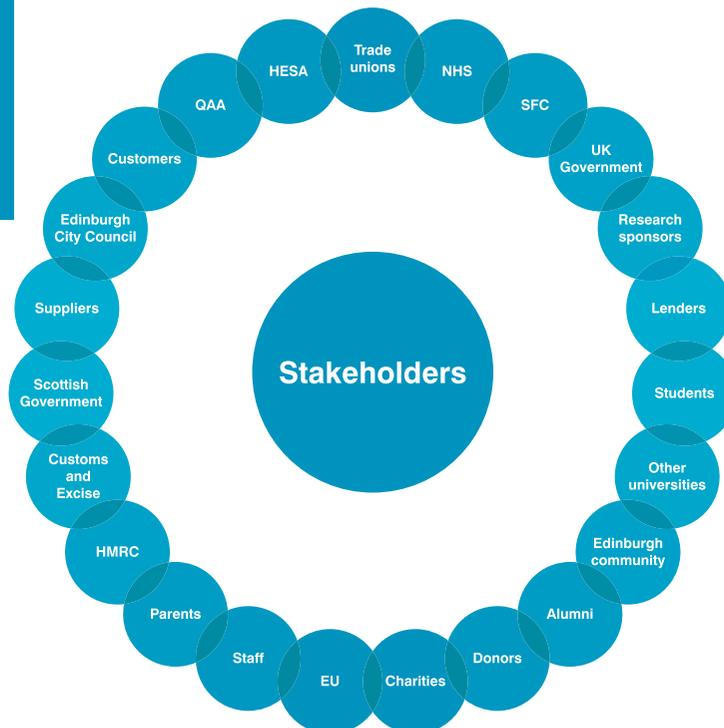
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**Strategic plan (continued)**

↑ Increasing   ↓ Decreasing   ↔ Maintaining

Strategic goal	KPIs	Status	Targets	Red/amber/green status
Lifelong community	Physical and virtual footfall	↔ Physical footfall ↑ Virtual footfall	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 <sup>2</sup> emissions by 29% by 2020, against a 2007 baseline (interim target of 20% savings by 2015)	●
Partnerships	Number of our research publications which are internationally co-authored	↑	Increase our number of PhD students on programmes jointly awarded with International partners by at least 50%	●
	Proportion of our research publications which are internationally co-authored	↑		
Equality and widening participation	Undergraduate entrants from under-represented groups	↑ Widening participation	Converge on our state schools and colleges participation benchmark	●
		↑ Low income households	Increase the proportion of female academic staff appointed and promoted to lecturer, senior lecturer, reader and professor levels	●
		↔ Ethnicity	Converge on our low social classes participation benchmark	●
		↑ Disability	Reduce the gender pay gap for University staff	●

**Our stakeholders**  
 The University has a complex group of stakeholders who are critical to its sustained progress. Considerable resources are invested each year to ensure that we listen to their needs, manage their expectation and deliver our commitments to them.



# 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 the achievement of its strategic objectives. It records them in the University Risk Register. The Risk Management Committee monitors and reviews emerging and changing risks throughout the year and informs the University's Central Management Group and reports the Committee's findings to the University Court's Audit and Risk Committee.

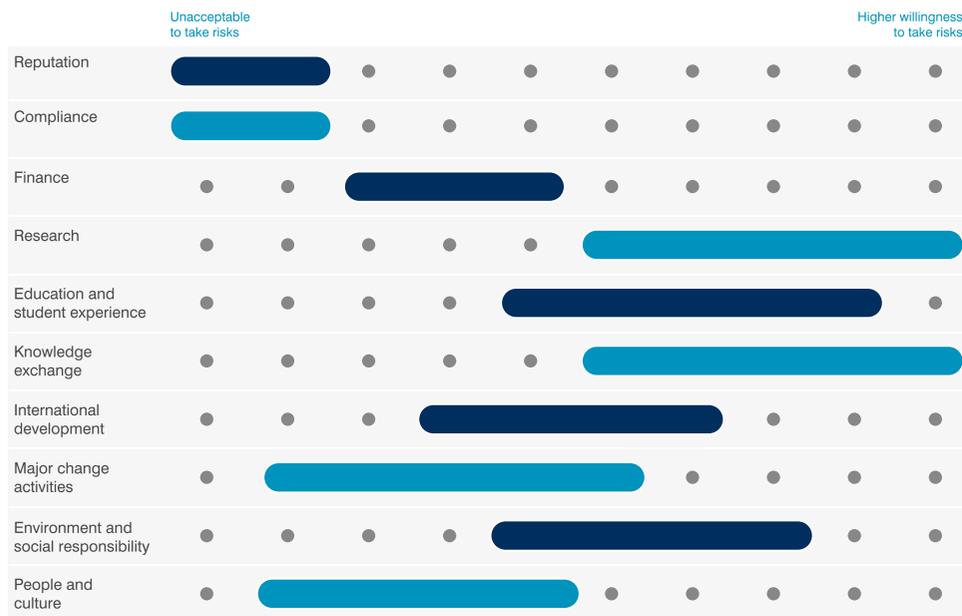
The management of each of the risks in the University Risk Register is formally assessed by the risk owner at least once each year and reviewed by the Risk Management Committee. The Risk Management Committee ensures that the risks are being actively managed, with the appropriate strategies in place to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

College, Support Group and subsidiary company risk registers ensure key operational risks are identified and managed by the appropriate organisation within the University. Internal Audit supports this process and undertakes reviews of key areas throughout the year.

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 Risk Register is formally reviewed and updated annually by these committees and approved by the University Court. The most recent update was approved at the Court meeting on 23 June 2014 and aligns to the *University's Strategic Plan 2012–16*.

## Our appetite for risk



The University's approach is to minimise its exposure to reputational, compliance and financial risk, while accepting and encouraging an increased degree of risk in pursuit of its mission and objectives. It recognises that its appetite for risk varies according to the activity undertaken. Acceptance of risk is subject always to ensuring that potential benefits and risks are fully understood before developments are authorised, and that sensible measures to mitigate risk are established.

# Understanding our risks

(continued)

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

Key:  Excellence in teaching  Excellence in innovation  Excellence in research

Strategy	Risk area	Risk description	Risk management
● ● ●	Student experience	The quality of the student experience relates directly to the University's reputation and its student recruitment activities.	<ul style="list-style-type: none"> <li>The University's Quality Assurance Committee oversees the learning and student services delivery and implements any Enhancement-Led Institutional Review (ELIR) recommendations.</li> <li>The cross-departmental implementation of projects enhances student support.</li> <li>Personal Tutors are allocated to every student.</li> <li>The Estates Plan will improve study and social spaces.</li> </ul>
●	Research awards	Loss of research awards would risk reputation and slippage in league tables and cause financial detriment.	<ul style="list-style-type: none"> <li>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.</li> <li>Edinburgh Research and Innovation has provided enhanced support to promote and enhance commercial engagement.</li> </ul>
●	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.	<ul style="list-style-type: none"> <li>These risks are actively managed by the University's Research Policy Group.</li> <li>Significant additional resource was deployed to focus on REF quality assurance.</li> </ul>
● ● ●	Technology and systems developments	Insufficient investment and weak coordination of investment in Information and Communication Technology (ICT) infrastructure, systems development, and information services provision across the University.	<ul style="list-style-type: none"> <li>Keep system requirements under regular review in line with changing University requirements.</li> <li>Carefully monitor system modernisation projects.</li> <li>Constantly review legacy systems to ensure that the technology and functionality meet the needs of the University.</li> <li>Review ICT Infrastructure requirements to ensure capacity exists to meet future requirements.</li> </ul>
● ● ●	Strategic developments – change management	Insufficient capability or capacity and inadequate management of work priorities, to successfully implement strategic developments and projects.	<ul style="list-style-type: none"> <li>Invest in learning and development activities, staff reviews and personal development plans to develop staff skills.</li> <li>Senior management provide oversight of major change management projects.</li> <li>Dedicated programme and project management resource committee.</li> </ul>
● ● ●	Strategic developments – projects	Failure of key strategic projects will impact on the success of the University and its ability to meet strategic objectives.	<ul style="list-style-type: none"> <li>There is a robust project management structure to challenge, manage and review strategic projects, including "gateway reviews".</li> <li>Ensure early engagement and communication activities to address internal or external resistance to projects.</li> <li>Ensure that business cases are developed for each project.</li> </ul>
● ● ●	Maintenance, enhancement and investment in the estate	Rate of investment and enhancement of the estate is inadequate to meet the growth aspirations of the University.	<ul style="list-style-type: none"> <li>The University has set a strategic target of a 3–5% surplus to support increased investment in the estate through the capital development programme.</li> <li>Take a proactive approach to developing a pipeline of well-planned projects that can be implemented quickly as and when external funding opportunities present themselves.</li> <li>Develop the 2025 vision for the estate into a clear estates strategy to ensure investment is carefully planned and requirements identified well in advance.</li> <li>Invest in reducing and staying on top of backlog and compliance works which are needed to ensure a quality estate.</li> </ul>

Strategy	Risk area	Risk description	Risk Management
● ● ●	Retain or attract sufficient key staff	Inability to retain, attract, and develop key staff.	<ul style="list-style-type: none"> <li>Ensure the University remains an attractive working environment.</li> <li>Continue to invest in training and development for staff.</li> <li>Proactive succession planning for key positions in the University.</li> </ul>
● ● ●	Loss of sensitive data	The loss of sensitive data could result in significant reputational and financial loss to the University.	<ul style="list-style-type: none"> <li>Undertake resilience improvement programmes to ensure the appropriate management of information security is in place.</li> <li>Further develop policies and guidance on data security and communicate that to staff regularly.</li> </ul>
● ● ●	Government policy and legislation	<p>Changes in government policy in matters related directly or indirectly to higher education can impact the University's activities.</p> <p>Changes to policies or the balance of powers between Westminster and Holyrood, or UK/Scotland and the EU.</p>	<ul style="list-style-type: none"> <li>Promote open debate of the issues related to changing the balance of power between Westminster and Holyrood.</li> <li>Provide responses both directly, and through Universities Scotland (US), Universities UK and the Russell Group, to governmental consultations related directly and indirectly to the higher education sector.</li> <li>Engage actively in implementing and promoting the recently published <i>Scottish Code of Good HE Governance</i>.</li> <li>Lobby, directly and via US, to ensure that implications for the University of potential regulatory changes are understood by policy makers.</li> <li>Provide input to the Culture and Education Committee review of the Education Bill 2014.</li> <li>Maintain a constructive and proactive dialogue on outcome agreements with the SFC.</li> </ul>
● ● ●	Institutional review	Failure to achieve a rating of "effective" in the 2015 Enhancement Led Institutional Review (ELIR)"	<ul style="list-style-type: none"> <li>ELIR Steering Group oversees the preparation of the review.</li> <li>Quality Assurance Committee reviews activities.</li> <li>College/School academic developments supported by Institute for Academic Development.</li> <li>Updated processes for quality assuring teaching collaborations.</li> </ul>
● ● ●	UK immigration policies and practice	Home Office and UK Visa and Immigration (UKVI) 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 quality and rich diversity of the staff mix.	<ul style="list-style-type: none"> <li>Engage with UKVI through representative bodies to ensure the active management of issues arising. The University has obtained UKVI Premium Customer Service status.</li> <li>A rolling audit of compliance across the University by an expert team is now in place.</li> </ul>
● ● ●	Financial sustainability	<p>Failure to maintain financial stability and sustainability would undermine the delivery of our strategic ambitions.</p> <p>Uncertainty over future contributions is required to sustain an attractive and affordable pension scheme.</p>	<ul style="list-style-type: none"> <li>The University mitigates these risks through implementation of the <i>Finance Strategy</i>. This includes 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 <i>Internationalisation Strategy</i> implementation, the development of full economic costing to teaching and high-level reporting of research applications and award trends, all mitigate this risk.</li> <li>The University's Space Management Group drives improvements in the use of the estate, including cost efficiency, integration and cost-sharing opportunities. The University is also coordinating 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 if required.</li> <li>The University is a member of the Employers Pension Forum and carefully monitors the deficit and deficit management plans of the Universities Superannuation Scheme (USS). The USS trustees are actively engaged with employer and employee representatives to develop a long-term funding solution to resolve the current pension scheme deficit.</li> <li>The deficit on the University's own Staff Benefit Scheme is subject to regular scrutiny.</li> <li>The University is making good progress in a project to improve the effectiveness and transparency of its Resource Allocation Model and financial reporting.</li> </ul>

# 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 Festivals, 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 profits to the University each year by Gift Aid.

## Results for the year

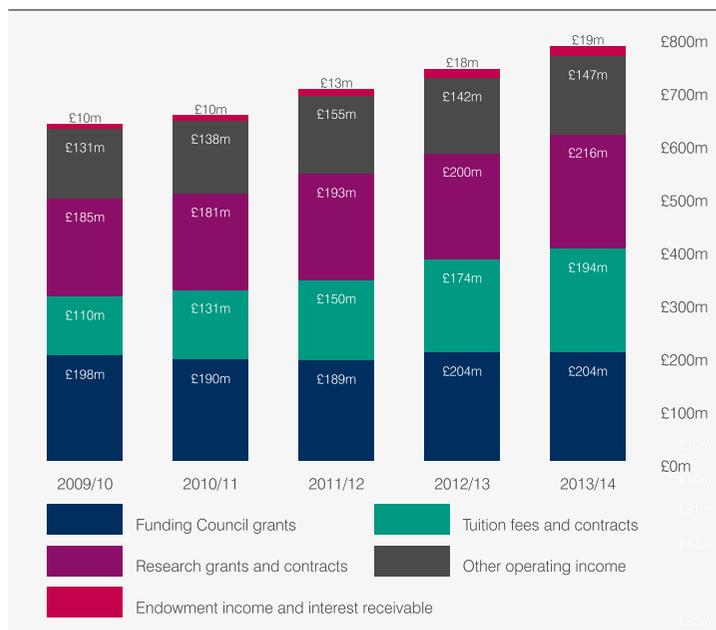
These results are presented in the context of our *Strategic Plan 2012–2016* and demonstrate another strong financial performance in year two of the plan. We have grown student numbers, sustained high-quality research activities, invested in improving the student experience and grown the volume and quality of academic staff. In an increasingly competitive environment we are pleased to have increased income by almost six per cent, and generated a surplus for reinvesting of more than four per cent, both of which underline the quality of our financial sustainability.

## Income

Our continued programme to recruit key academic staff has again supported our targeted increase in group income, which increased by 5.8 per cent (£42.8 million) from the previous year. Income per full-time employee (FTE) dropped by 1.24 per cent in 2013/14 reflecting our commitment to strategic staff investment.

With the exception of Funding Council grants, which decreased by less than one per cent, all other areas of income increased in comparison with the 2012/13 figures.

## Consolidated University income 2013/14



## Summary financial position

	2014 £m	% of income	2013 £m	% of income
Income	<b>780.6</b>		737.8	
Expenditure	<b>747.2</b>		700.3	
Operating surplus	<b>33.4</b>	4.3%	37.5	5.1%
Gain on disposals of fixed assets	<b>0.0</b>		0.5	
Other items	<b>(3.0)</b>		0.3	
Surplus retained within general reserves	<b>30.4</b>	3.9%	38.3	5.2%
Fixed assets	<b>1,421</b>		1,399	
Endowment assets	<b>298</b>		284	
Net current assets	<b>217</b>		200	
Creditors over one year	<b>(106)</b>		(109)	
Pension liabilities and provisions	<b>(113)</b>		(74)	
<b>Net assets</b>	<b>1,717</b>		1,700	

## Scottish Funding Council grants

Scottish Funding Council (SFC) grants are broadly in line with last year but the individual grant allocations have changed, reflecting changed SFC priorities. Key variations are shown below:

- research (+£7m) reflecting the University's share of the SFC's additional commitment to support the very highest rated research;
- teaching (-£4m) reflecting the phased withdrawal of funding for rest of the UK undergraduate places;
- other (-£3m) reflecting the reduction in capital building refurbishment funding year on year.



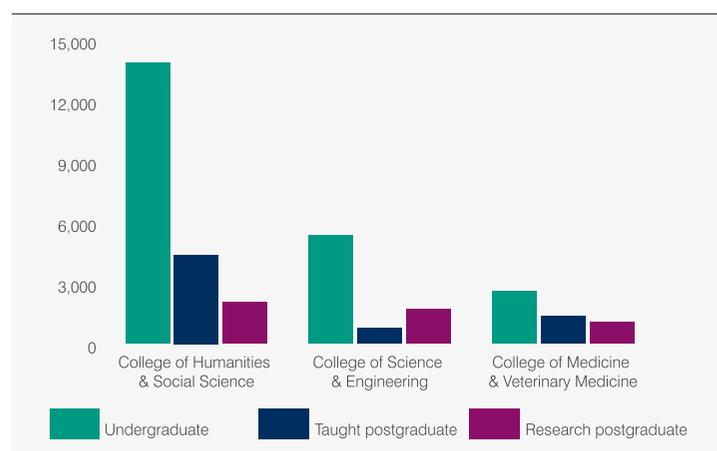
# £298m

The return on the University endowment fund in 2013/14 was 7.6 per cent with a year end market value of £298 million.

## Tuition fees and education contracts

A significant part of our capital programme is focused on improving the quality of space of our teaching accommodation. Accordingly, we held our student population stable last year with a less than one per cent increase on the prior year. Postgraduate students account for 34 per cent of the total student intake and EU and international students more than 50 per cent of postgraduates. A strategic target is to increase non-EU student numbers by 2,000 during the period of our plan and our performance is on track as the number rose by around 1,100 in the last two years.

## Students by level of study and College



We were also pleased by the 3 per cent growth in research postgraduate students which has been enabled by our increase in research-led academic staff. This will also benefit our taught student population through leading-edge research informed teaching programmes.

Tuition fee income rose by £19.3 million in the second year of the new UK fee regime, and also reflected increases in international student numbers.

## Research grants and contracts

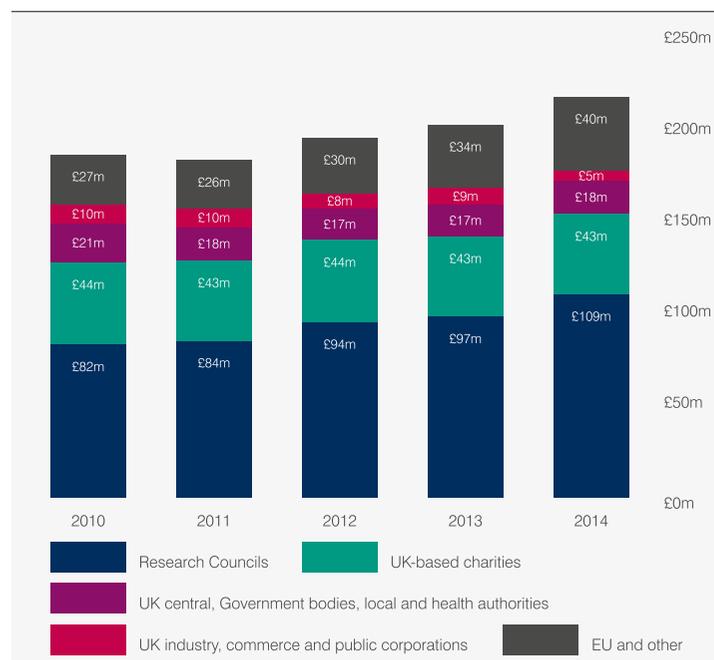
Despite the difficult financial climate, the University has continued to be successful in winning research grants and contracts. Research income has increased to nearly £216 million, up nearly 8 per cent (£16 million) from 2012/13. It now accounts for 28 per cent of total University income. Most of this increase is explained by a £12 million increase in Research Council income and smaller increases in EU and other sources of research income. Income from Research Councils UK (RCUK) makes up around 14 per cent of the University's total income (but more than half of its research income). Research income as a proportion of total income has dropped slightly in the last five years, due to the faster growth in student numbers and the changing fee regime.

Following the change in European research funding as the switch from the Seventh European Framework Programme (FP7) to Horizon 2020 took place, we have now started to accelerate our grant applications. EU-funded research increased by 6 per cent in 2013/14. Income from EU sources rose by £457 thousand and income from UK charities dropped slightly by £157 thousand while income from other sources increased by 98 per cent (£3,582 thousand).

Student numbers 2013/14		Taught undergraduate	Taught postgraduate	Research postgraduate	Total
Scotland		8,670	1,770	1,660	12,100
Rest of the UK	59%	5,680	1,040	865	7,585
EU non-UK		2,340	955	820	4,115
International	41%	5,085	2,765	1,460	9,310
<b>Total</b>		<b>21,775</b>	<b>6,530</b>	<b>4,805</b>	<b>33,110</b>
Year-on-year increase		<b>0.5%</b>	<b>0.1%</b>	<b>3.0%</b>	<b>0.7%</b>
Proportion		<b>65.8%</b>	<b>19.7%</b>	<b>14.5%</b>	

Student numbers 2012/13		Taught undergraduate	Taught postgraduate	Research postgraduate	Total
Scotland		8,660	1,835	1,666	12,161
Rest of the UK	61%	6,169	1,060	810	8,039
EU non-UK		2,184	1,058	780	4,022
International	39%	4,664	2,571	1,411	8,646
<b>Total</b>		<b>21,677</b>	<b>6,524</b>	<b>4,667</b>	<b>32,868</b>
Proportion		<b>65.9%</b>	<b>19.8%</b>	<b>14.3%</b>	

## Research income received



# Financial review

(continued)

The value of research awards received was £270 million, slightly lower than at the same time last year at £300 million. Adjusting for a five-year Medical Research Council award of £60 million last year reveals underlying growth of 12.5 per cent.



**Data Science Centre launched**  
The Centre for Doctoral Training in Data Science (CDT) has launched at the University's School of Informatics.

The CDT was established with funding worth £4.7 million from the Engineering & Physical Sciences Research Council (EPSRC) and £5.3 million of direct and in-kind support from the University and 34 external partners, including Microsoft, IBM, Google, Amazon, Apple and Xerox.

# 3%

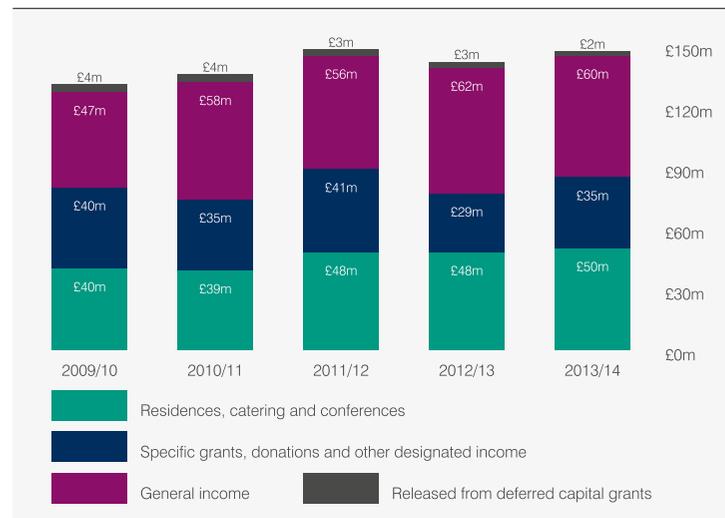
Postgraduate research student numbers increased by nearly three per cent in 2013/14.

BiGGAR 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 cumulatively to the global economy and employing in excess of 2,700 people 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 technology licence agreements with 71 companies and organisations around the world.

### Other income

Nearly a fifth of the University's income is derived from other sources. Other income (£147 million) is up four per cent from last year (£142 million) reflecting similar increases across a range of income sources. (See Note 5 for further analysis).

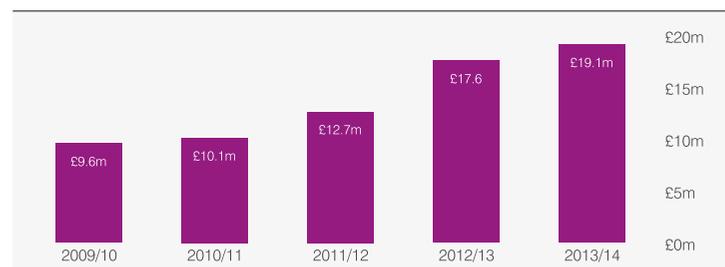
### Other income



### Endowment income and interest receivable

Investment and endowment income grew strongly, up nine per cent (nearly £1.5 million) mainly due to improvements in endowment fund investment performance. We are very pleased by the performance of our investment committee and fund managers who have delivered a consistently strong performance.

### Endowment income and interest receivable



# £1.7bn

The value of the University's total net assets.

## Expenditure

### Consolidated University expenditure 2013/14



Group expenditure increased year on year by 6.7 per cent, which is almost one per cent more than Group income due to our investment for growth.

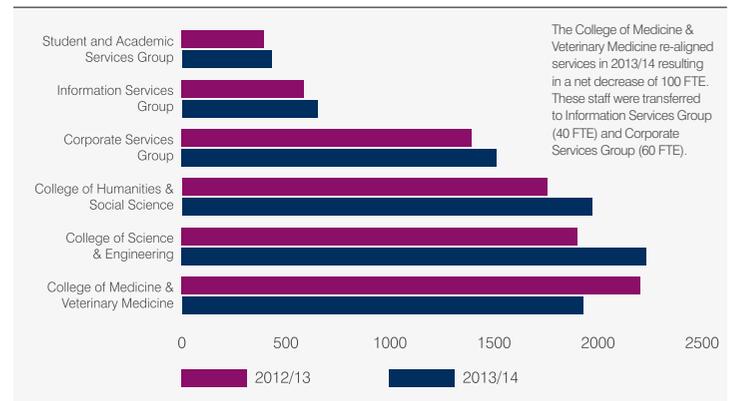


**Edinburgh Festival Fringe**  
The University of Edinburgh is the largest landlord on the Fringe.

Over one million people bought tickets for events in University premises last year, and our Visitor Centre also serves as a ticket collection point.

## Staff costs

### Cost structure



The College of Medicine & Veterinary Medicine re-aligned services in 2013/14 resulting in a net decrease of 100 FTE. These staff were transferred to Information Services Group (40 FTE) and Corporate Services Group (60 FTE).

A University's most valuable resource is its staff and our salary and related costs to sustain this resource in 2013/14 were £410 million. Staff costs as a proportion of total income was up over one per cent to 52.5 per cent, although this is within sector benchmarks. More than 60 per cent of the increase (£20 million) related to academic and related support staff, with a further 20 per cent (£6.5 million) invested in research grants and contracts staff as research income continued to grow. Staff were awarded a 1 per cent pay increase on 1 August 2013. Annual increments and increased staff numbers contributed to a seven per cent increase in the total salary costs. Salaries make up 76 per cent of total staff costs with pensions, national insurance and other on-costs comprising 24 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) or, since March 2013, one defined contribution scheme, National Employee Savings Trust (NEST).

Pensions are a significant staff benefit (22 per cent of direct salary costs) and the cost of providing these increased by more than £7 million, (11.5 per cent) from 2012/13.

The University of Edinburgh is committed to a policy of equal opportunities for disabled staff and students. 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, Strategy, 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.

# Financial review

## (continued)

### Other costs

#### Analysis of other costs

	£m	%
Academic and professional services	113	38
Research administration	84	28
Premises	60	20
Residences	29	10
Subsidiaries	13	4
<b>Total</b>	<b>299</b>	<b>100</b>

Other costs, which include expenditure on subsidiary company activities, student accommodation, bursaries, premises costs and library services, have increased by £14.6 million (5 per cent) from last year. £7 million of this is accounted for by a growth in operational lease costs due mainly to the increased provision of student accommodation.

Expenditure on prizes, scholarships, studentships and bursaries remains a priority and was in excess of £23 million. The 2013/14 academic session saw more than 145 undergraduate access bursaries and 225 accommodation bursaries awarded to new students. Nearly 400 RUK bursaries totalling approximately £1.75 million were awarded. In 2013 we welcomed six UNITE Access and Accommodation Bursary students and 15 Lloyds' scholarships students to the University. More than 1,500 undergraduate students currently hold an Edinburgh Bursary.

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 17 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 (£32 million in 2013/14) 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 down about 1.2 per cent on last year. This decrease is mainly due to the planned repayment of a number of bank loans.

# 1.83

The University maintains a high liquidity ratio to provide resilience and confidence to meet its financial obligations.

### Balance sheet

#### Consolidated University balance sheet 2013/14



The balance sheet position continues to be backed by strong cash reserves. The liquidity ratio increased to 1.83 (1.79) 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 continues to deliver a significant programme of estates developments and equipment procurement. The development pipeline of Estates projects exceeds £1 billion over the next 12 years to support infrastructure developments that will deliver high-quality educational and research facilities. University cash reserves provide the leverage to raise the additional external grants and donation funding required. The physical estate encompassing buildings from several centuries ago is a 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:

	2013/14 £m	2012/13 £m	Change %	Change £m
Building and equipment additions	51	63	-19%	-12
Capital grants received	27	31	-13%	-4
Repairs and maintenance	32	29	10%	3
Value of buildings and equipment	1,403	1,352	4%	51

# £106m

The University paid around £106 million to HMRC in 2013/14.

The University has a current live capital programme amounting to more than £340 million with 80 per cent at the design stage and 20 per cent under construction.

Projects completed or commissioned during the year	Status	Projected completed value £m
Deaconess House student accommodation	Completed	26
Redevelopment of 50 George Square for the School of Literatures, Languages and Cultures	Occupied	22
Edinburgh Centre for Carbon Innovation	Occupied	10
FloWave Ocean Energy Research facility	Commissioned	9
David Hume Tower lower ground floor contemporary teaching hub	Completed	8
University Day Nursery at the King's Buildings	Completed	4
Combined Heat & Power extension	Commissioned	8
Avian Research Facility at Easter Bush	Completed	4
<b>Subtotal</b>		<b>91</b>

Major projects at design stage	Projected completed value £m
Veterinary research building at Easter Bush and commercialisation space	30
Redevelopment of the Edinburgh Law School	35
Recladding of Appleton Tower	23
Redevelopment of David Hume Tower	35
Buccleugh Place student accommodation	31
Redevelopment of the Darwin Building at the King's Buildings	100
Large Animal surgery facility	8
Redevelopment of St Cecilia's Hall	7
<b>Subtotal</b>	<b>269</b>

Major Projects at construction phase	Projected completed value £m
Redevelopment of McEwan Hall	35
Systems Medicine building at the Western General Hospital	13
National Avian Research Burnstead building	10
Mary Bruck building at the King's Buildings	5
Redevelopment of the Roger Land building at the King's Buildings	8
<b>Subtotal</b>	<b>71</b>
<b>Total at detailed design and construction stage</b>	<b>340</b>

## 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 Collection of Historic Musical Instruments 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 £175 million.

## Endowment assets

To diversify risk endowment, assets are spread over four fund managers. Baillie Gifford invests in equities and bonds, RLAM in high-yield bonds, Hermes in property and BlackRock in equities. There is also investment in property through UoE Deaconess Ltd, which runs new student accommodation at the refurbished and extended former Deaconess Hospital.

Year	2009/10	2010/11	2011/12	2012/13	2013/14
Market value £m	£200	£236	£238	£284	<b>£298</b>
Return	24.5%	15.1%	1.3%	21%	<b>7.6%</b>
Number of endowments	741	749	760	778	<b>781</b>
Annual expenditure £m	£6.0	£6.0	£8.0	£8.5	<b>£7.9</b>

Investment performance continues to be strong.

The five-year fund return is 13.6 per cent per annum (10-year – 9.1 per cent per annum).

## Net current assets

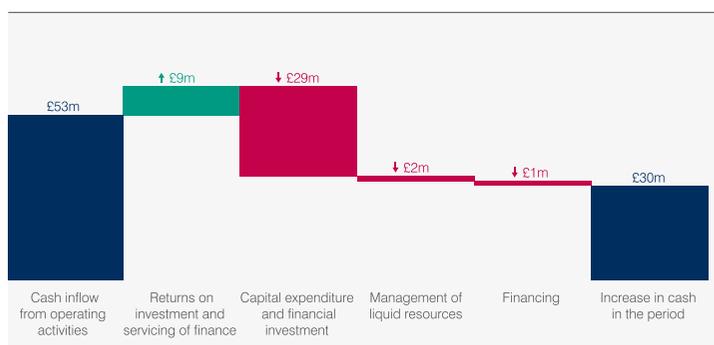
Net current assets have increased by £17 million on last year. Current assets increased mainly due to a rise in cash which rose by £31 million to £381 million, preserving the strong cash reserves held by the University (much of which are held to fund the long-term capital plan). A portion of the cash reserves will now be managed by the Investment Committee to seek higher returns than cash deposits. Current liabilities increased by about £10 million.

# Financial review

## (continued)

### 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: £53 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).

### Taxation

The University is an exempt charity within the meaning of the Trustee Investment and Charities (Scotland) Act 2005 and recognised as a charity by HM Revenue & Customs. Commercial trading activities undertaken by the University are operated through its subsidiary companies and attract VAT where applicable. Indirect tax (VAT) collected and payroll taxes (PAYE and National insurance contributions) paid and collected amounted to £9.4 million and £97 million respectively.

### Pensions liabilities

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

The triennial valuation of the SBS scheme took place on 31 July 2014. The fund deficit status has deteriorated by £43.7 million to £94.2 million. The main reason for the deterioration is that corporate bond yields reduced over the period increasing the value placed on liabilities but actuarial estimates of increasing life expectations also increased forecast liabilities. During the year, asset returns underperformed their benchmarks.

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. Employer and employee representatives are committed to working with the USS to evolve the scheme to be sustainable in the future. The USS deficit is not accounted for on the University's balance sheet as the scheme assets and liabilities are not broken down by individual institution.

# 2,700

BiGGAR Economics estimates 2,700 jobs will be created in the Scottish economy as a result of licencing and spin-out activities.

### 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.

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 2013/14 these included: industry/University collaboration, exploitation and competitiveness and research, widening access to University, learner journey and retention, equality and diversity, and 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 has 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 (earnings before interest, taxation, depreciation and amortisation) 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 2013/14. This measure enables comparability between universities as it excludes areas such as depreciation where institutions can apply a range of accounting policies which will impact on operating surpluses. EBITDA is also a proxy for cash flow.

The reduction in operating surplus in the last two years reflects our decision to increase investment in academic staff and infrastructure refurbishment.

	Year	£m
Actual	2011/12	63
Actual	2012/13	58
Actual	2013/14	55

## 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 the University's latest assessment of progress presented as amber (more work required), green (on track). There are no red areas.

	2013/14 Actual	2012/13 Actual	Red/amber/ green Status	HEFCE sector forecast for 2013/14	Comment	2014/15 forecast
Total Income	780,630	737,786				802,818
Historical cost surplus as % of income	5.2%	6.4%	●	3.3%	The University has significant reserves already in place to support its strategic objectives.	5.1%
Discretionary reserves (excluding pensions) as % of income	82.3%	81.4%	●	58.0%	Significant reserves underpin the University's activity, putting it in a strong position in relation to the sector.	79.2%
External borrowing as a % of income	13.4%	14.4%	●	25.1%	Prudent borrowing and low interest rates is good financial management and the University has taken advantage of low interest rates to borrow in order to meet anticipated cash flows.	11.6%
Net cash flow as a % of income	3.9%	4.5%	●	6.5%	This is slightly lower than the sector average but given the significant cash reserves that the University already has, this is not a cause for concern.	7.2%
Net liquidity days	194	187	●	81	The University has significant cash reserves and is well above the sector forecast average.	176
Staff costs as a % of income	51.1%	50.6%	●	32.0%	Staff costs have been dropping slightly over the last four years and are forecast to continue to do so.	51.7%

## Future

The University is again well placed financially to deal with its short- and long-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 International 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.



**Dr Anne Richards**

Vice-Convenor of Court  
08 December 2014

# Social responsibility and sustainability report

Social Responsibility is one of six themes of the University's Strategic Plan 2012–2016. The University seeks to make a significant contribution to the sustainability and social responsibility of Scotland, the UK and the world, promoting health, economic growth and cultural well-being.

In 2014, the University formally launched the Department for Social Responsibility and Sustainability to provide support to learning and teaching, research and operations. Oversight and guidance are delivered through the existing structures of the University including the Social Responsibility and Sustainability Committee (previously the Sustainability and Environmental Advisory Group). This includes the Climate Action Plan Working Group, Sustainability Operations Advisory Group and the Fair Trade Steering Group sub-committees.

## Principles for Responsible Investment

In 2013 the University became the first in Europe and the second globally to sign the UN Principles for Responsible Investment (UNPRI). In follow up to extensive consultations in 2014, an updated Socially Responsible Investment policy for the University is being developed which sets out our principles and a process for the University's Endowment Fund. This will reflect university values, manage risks and create opportunities for the future exciting possibilities that exist to direct some investment towards positive activities that support the University's local activities in the community, research goals and desire to reduce its environmental footprint. For more information go to: [www.ed.ac.uk/schools-departments/finance/about/sections/financial-accounting/investment](http://www.ed.ac.uk/schools-departments/finance/about/sections/financial-accounting/investment)

## Sharing best practice

Considerable effort was expended in 2013/14 to build the University's links to leading institutions and networks on issues across the UK and the world. These include the International Sustainable Campus Network, International Green Campus Alliance, EAUC

and S-Lab. This work will continue in 2014/15, both to gain insight into global best practice and to build alliances with the world's leading institutions.

## External awards and recognition

Excellence continues to be recognised across a range of social responsibility and sustainability topics.

### Green Gown Awards

The Green Gown Awards recognise the exceptional sustainability initiatives being undertaken by universities and colleges across the UK. In 2014, the University was short-listed as a finalist in four categories: Construction and Refurbishment, Continuous Improvement: Institutional Change, Courses and Learning, and Food and Drink. This is the University's best performance since the awards were established in 2007.

### National Union of Students Environmental Improvement Award

Stewart Anderson from Edinburgh Research and Innovation won the UK-wide NUS Environmental Improvement Award for developing a plugin for Microsoft Outlook, which calculates the most sustainable routes to meetings, prioritising walking, cycling and public transport.

### Athena SWAN Award

The University continues its commitment to the advancement and promotion of the careers of women. The Athena SWAN Charter celebrates achievements in science, technology, engineering, mathematics and medicine, and in 2014 the Schools of Molecular, Genetic & Population Health Sciences,

# 10 years

It is 10 years since we became the first Scottish university to attain Fairtrade status.

# 85%

More than 85 per cent of the University's waste was diverted from landfill in 2013/14 (83 per cent in 2012/13).

and Clinical Sciences, were successfully awarded joint Bronze. The Edinburgh School of Architecture and Landscape Architecture, and the School of Health in Social Science each successfully attained Bronze Awards.

### BREEAM Outstanding

The Edinburgh Centre for Carbon Innovation (ECCI) became the first listed building in the UK to achieve the industry sustainability 'BREEAM Outstanding' award at design stage. The building also won the highly coveted Building Conservation Award at the Royal Institution of Chartered Surveyors Scotland Awards in 2014.

### Food for Life

Over the past year the University has widened its Food for Life certification, by adding retail catering outlets to its previous Food for Life Bronze accreditation. The certification originally covered meals served at the John McIntyre Conference Centre at Pollock Halls of Residence but now includes the retail catering outlets managed by Accommodation Services.

### Britain in Bloom

The University's efforts in landscape management and biodiversity were recognised along with those of other city-wide organisations, when Edinburgh was awarded a gold medal in the 2013 Britain in Bloom awards for the Large City category. This is the first time that the city has achieved this award.



## Social responsibility in practice

# A socially responsible university

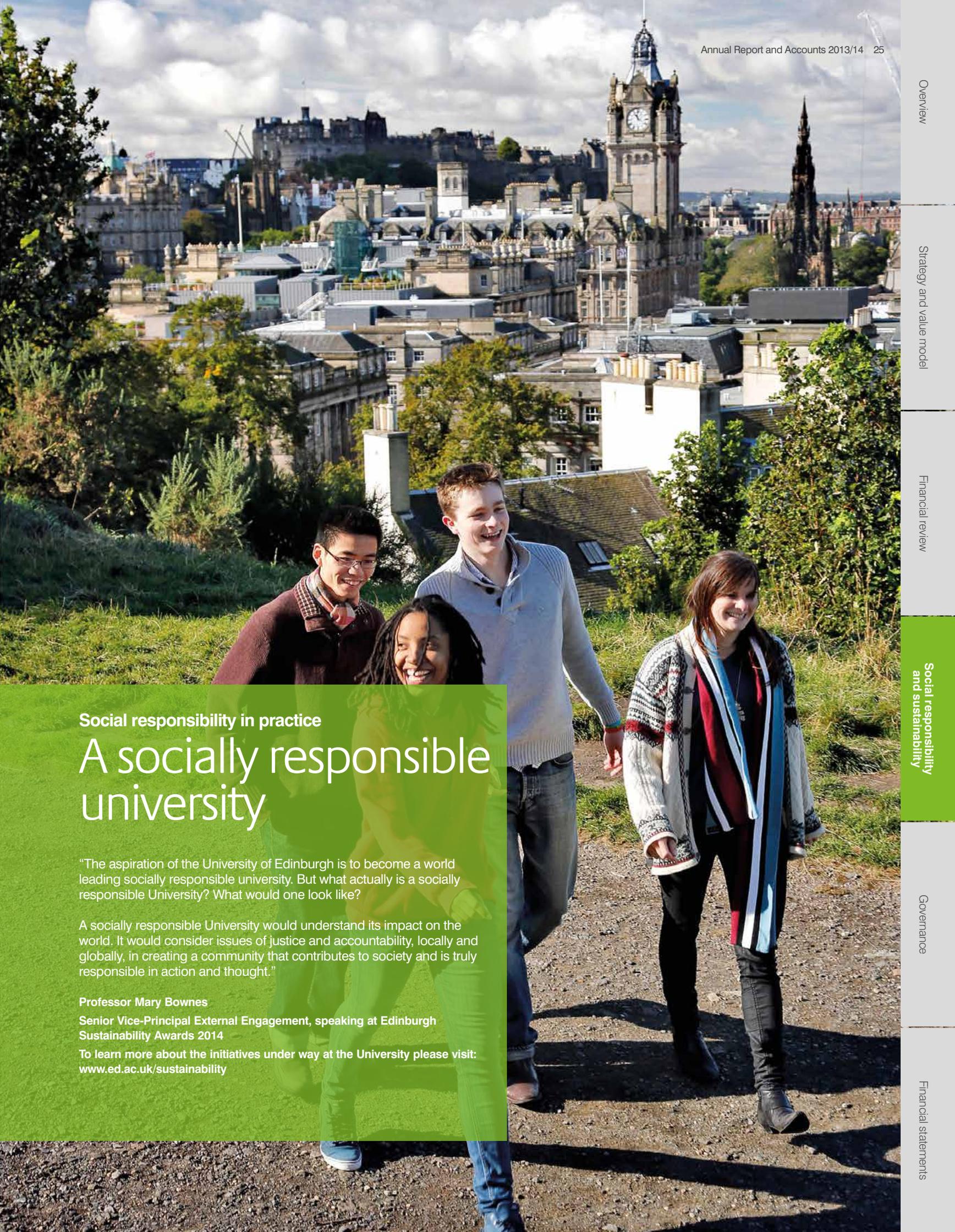
“The aspiration of the University of Edinburgh is to become a world leading socially responsible university. But what actually is a socially responsible University? What would one look like?”

A socially responsible University would understand its impact on the world. It would consider issues of justice and accountability, locally and globally, in creating a community that contributes to society and is truly responsible in action and thought.”

**Professor Mary Bownes**

Senior Vice-Principal External Engagement, speaking at Edinburgh Sustainability Awards 2014

To learn more about the initiatives under way at the University please visit: [www.ed.ac.uk/sustainability](http://www.ed.ac.uk/sustainability)



# Social responsibility and sustainability report

(continued)

## Internal operations

The University is committed to developing a socially responsible and sustainable campus, providing a modern, efficient and stimulating working and learning environment to sustain world-class academic and support activities. The University is reviewing and refreshing its Social Responsibility and Sustainability Strategy as well as the goals, targets and metrics to drive performance.

## Climate change, energy and carbon

The University recognises its responsibility to take action on climate change, including reducing the carbon emissions from our direct operations as well as our indirect emissions.

The Climate Action Plan 2010–2020 set a goal of achieving a 29 per cent carbon saving by 2020 against a 2007 baseline – with an interim target of 20 per cent savings by 2015. At the end of July 2014, the University had not achieved the set targets – partially due to its success in growing its teaching and research activities and implementing a number of mergers.

In 2013/14 the contribution to carbon emissions from the core estate utilities was 78,021 tonnes CO<sub>2</sub>e representing a slight decrease from 2012/13. Grid electricity and natural gas remain the most significant contributors to the core estate's carbon emissions as shown in the table below.

The University continues to invest in energy efficiency measures, providing low carbon solutions to the University's energy requirements. Opportunities to reduce energy wastage continue to be identified through engagement activities with building users.

In 2014/15 a structured review of the Climate Action Plan is taking place. It will make recommendations for future targets, actions and investment to secure leadership in carbon reduction and management; and identify opportunities to enhance the University's

reputation and activities, while ensuring the key business of the University is maintained.

## Travel

Staff and students are supported to travel as sustainably and safely as possible. In 2013/14 more than 560 people attended a series of Cycle Roadshows, with cyclists offered a range of free maintenance, security assistance, training and advice. Commuter Clinics were also held to coincide with parking permit applications to encourage staff to commute sustainably.

As part of an Edinburgh-wide partnership, the University has installed four charging points for electric vehicles, providing staff and students with free electric charging. The University has continued this partnership approach by working with local higher education institutions to introduce a pool of electric bikes for staff to use at the start of the 2014/15 academic year.

The average individual carbon footprint per staff member has significantly reduced by 35 per cent with the carbon footprint per student reduced by 28 per cent between 2010 and 2013. Eight electric bikes are available for staff to use for business travel.

## Resource efficiency

The University adopted a Recycling and Waste Management Policy in 2010 which outlines the intent to continue to increase recycling and minimise waste sent to landfill. In 2013/14, the Waste and Environment Office rolled out food waste bins across all University catering facilities. A student engagement strategy has also been developed for food waste reduction and recycling with students from the *MSc Participation in Policy and Planning* course. Compositional waste analysis audits were carried out in catering outlets, with larger scale audits planned for the coming year. Glass caddies are being rolled out across the University to formalise collection.

# 560

560 people attending Cycle Roadshows in 2013/14.

# 3rd

The University was ranked third in the higher education sector for environmental and social responsibility by the Universities that Count.

WARPit redistribution network was launched this year, making it easy for staff at the University to give away or loan unwanted items in their office to other members at the University. 177 staff actively use the network, reducing the unnecessary purchase of resources, cutting waste and making financial and emissions saving.

Approximately 1,818kg of carbon dioxide equivalent has been saved through the introduction of WARPit since its launch in 2014.

## Core estate emissions

	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12	2012/13	2013/14
EMISSIONS tonnes CO <sub>2</sub> e	'000	'000	'000	'000	'000	'000	'000	'000
Electricity (excludes CHP Consumption)	27.2	34.7	31.8	35.0	40.8	42.7	48.7	43.9
Natural Gas (gross)	33.7	34.5	35.3	39.8	40.3	34.2	30.8	34.0
Oil	-	-	-	-	0.4	-	-	-
Water	0.1	0.1	0.1	0.1	0.1	-	0.1	0.1
TOTAL CARBON EMISSION tonnes CO <sub>2</sub> e	61.0	69.3	67.1	74.8	81.6	77.0	79.6	78.0

# 35

35 schools and departments have been recognised for their efforts in social responsibility and sustainability.

## Estates development

Estates and Buildings are working towards developing a low carbon resilient estate for the University, supporting the delivery of world class teaching, learning and research. Sustainability has been identified as a core principle during the development of the Estates Strategy 2025 and the University chairs the EAUC group on Sustainable Construction.

The Edinburgh Centre for Carbon Innovation (ECCI) officially opened in October 2013 and was the first listed building in the United Kingdom to achieve the industry sustainability BREEAM 'Outstanding' award at design stage. The recently refurbished 50 George Square achieved significant energy savings through connections to the University's central area CHP along with other energy saving measures including new windows and insulation.

Ten new and refurbished buildings have achieved the BREEAM 'Very Good' standard and above at design stage.

## Fairtrade

In 2014 the University marked 10 years since we became the first Scottish university to attain Fairtrade status following a vote by students. Our Fairtrade Policy outlines our commitments to procuring and selling fair trade products, and raising awareness of fair trade. Hot drinks served in the University catering outlets are Fairtrade and consumption of Fairtrade continues to grow. Through our partnership with Just Trading Scotland, every 90kg of rice purchased by the University allows it to sponsor a child to attend high school in Malawi. Procurement and catering staff continue to work to increase sales of fair trade products and we have encouraged research and teaching in this area through the Academic Network.



## MA Sustainable Development

The University has an outstanding record of world-leading research and teaching in sustainability and human development.

The University is committed to social responsibility in supply chains to ensure that our global impact is fair and just. We are a member of the Workers' Rights Consortium and a founding member of Electronics Watch.

## Procurement

The Procurement Office has led, and is measuring sustainability impacts, and provides guidance to the wider higher education and public sector, where the University's good practice has been recognised.

The University has worked closely with the Advanced Procurement for Universities and Colleges centre to develop a sector-wide Supply Chain Code of Conduct and the SUSTAIN project, which aims to benchmark suppliers and encourage them to improve their environmental and social impacts. The United Nations 'Marrakech' approach continues to be rolled out across the University to evaluate risks and engage with buyers and suppliers to highlight and influence the impact of what we purchase.

Office supplies buyers in the University chose the 'green' option online 41 per cent of the time.

## Food

Recognising the responsibility and influence of the University and the interconnectedness of global challenges surrounding food, the University aims to contribute to the improvement of society as a whole by the creation of sustainable food systems.

To support this vision, the University became the first 'Food For The Brain' University in the United Kingdom, and the first University in Scotland to achieve a Food for Life Bronze Catering Mark. All catering outlets hold the Healthy Living Award.

A University-wide food network has been developed, along with the creation of the Food Researchers in Edinburgh network to engage with academic staff working on food. Work has been undertaken on a Sustainable Food Policy and lessons learned to date, with considerable interest and scope to develop this work over the coming years.

Fourteen catering outlets managed by Accommodation Services achieved Food for Life Bronze accreditation in recognition of the high-quality and sustainable food catering.

## Biodiversity

The Landscaping Section continues to support biodiversity across the University by maintaining green spaces, green roofs and orchards, as well as installing bird boxes and working in partnership with staff and students to support apiaries to raise awareness of biodiversity among staff and students.

Both native and exotic species are used to provide pollen and nectar plants that encourage bees, insects and other forms of wildlife. All green waste from plants and trees is recycled, with the compost produced used as a soil improver for planting.

# Social responsibility and sustainability report

(continued)



## Britain in bloom

The University received recognition for its efforts in landscape management and biodiversity when the City of Edinburgh won gold in Britain in Bloom 2013.

# 1,818<sub>kg</sub>

The University has reported approximate savings of 1,818kg in carbon dioxide emissions.

## Equality and diversity

Following the review of the University's Equality and Diversity Action Plan an Equality Management Committee has been established to exercise strategic and management oversight of equality and diversity, ensuring policies and practices are managed and implemented effectively at all levels of the University.

Over the past year 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, and included the launch of the first phase of the Inspiring Women's Portrait Exhibition. The University is a Stonewall Diversity Champion, and continues its participation in the Equality Challenge Unit Programme, working on the University-wide mentoring framework.

## Health and safety

To support world-class learning, teaching, and research, the University is committed to working towards the highest quality of health and safety practice across a wide spectrum of activities, ensuring the University meets all its legal and moral obligations, maintaining its excellent health and safety record.

## Gather Festival

The annual week-long Gather Festival in March celebrates culture, community, and the ethos of global citizenship on campus and beyond. The University is home to students from two-thirds of the world's countries.

Featuring more than 40 events that promoted cultural difference and global citizenship, activities took place across campus, in collaboration with EUSA, student leaders, University departments and local community groups.

## TEDx

Staff and students hosted a TEDx conference on the theme of Thinking in Abundance as part of the University's Innovative Learning Week. Speakers and attendees discussed the scarcity and abundance of resources, new definitions of want and need, and fresh perspectives on problematic issues.

Thinking in Abundance was about looking again at problems and instead of seeing them as a deficit, using what we have to make connections, find inspiration, and solve issues. TEDx University of Edinburgh is a program of events which focus on an interdisciplinary transfer programme of knowledge, organised by staff and students.

## Sustainability Awards

The efforts of staff were again celebrated during the annual Sustainability Awards, with 35 departments receiving recognition for actions to make their departments more sustainable and socially responsible. A record-breaking 16 departments received a Gold Award, compared with only nine in 2013.

Case studies showing the achievements of departments are available at: [www.sustainability.ed.ac.uk/awards](http://www.sustainability.ed.ac.uk/awards)

## Learning, teaching and research

### Intergovernmental Panel on Climate Change

University scientists have contributed to a global study that shows human activity is a major cause of climate change. Their findings were included in a summary report for policy makers issued by the Intergovernmental Panel on Climate Change.

Professor Gabi Hegerl from the School of GeoSciences took part in final negotiations on the report content, in her capacity as a lead author. Professor Hegerl also gave a presentation as part of a discussion on climate system properties, including climate sensitivity.

### University Social Responsibility in Europe

The University hosted a study group from the University Social Responsibility in Europe project to test and refine a methodology for supporting the advancement of social responsibility across the higher education sector.

The visit afforded an opportunity to test the draft benchmark standards: project partners from the University of Porto and the Foundation of the University of Granada interviewed University staff, Joint Unions and EUSA.

### Marine energy

A world-class testing facility for marine energy devices was opened at the University, with researchers and industrial partners using the facility to develop and refine full-scale devices.

The FloWave Ocean Energy Research Facility is a 25-metre circular pool that can recreate waves and currents from coastlines around the UK, Europe and beyond. The pioneering facility will speed the development of devices to harness wave and current power, and further enhance the University's position as a centre of excellence in marine energy research.

## A Fairtrade university

# Global impact

The University is committed to continued promotion and understanding of fair trade.

This means that whenever possible we will buy products that are produced fairly and ethically and support ongoing research and development in this area.

- Our catering outlets continue to expand their stock of fair trade products from a range of initiatives.
- Our Procurement Office is exploring a range of codes and standards relating to supply chain ethics, such as the Workers' Rights Consortium and the new Code of Conduct from APUC, the further and higher education procurement body for Scotland.
- Our Fair Trade Academic Network is working on developing new, interdisciplinary perspectives on fair trade.

# Corporate governance statement

The University of Edinburgh is committed to achieving the highest possible standards of corporate governance.

During 2013/14 the University considered in detail the Scottish Code of Good Higher Education Governance published on 18 July 2013 and while the University was generally already compliant with this Code the opportunity was taken to review its governance arrangements. As a result of the work of a Court Sub-Group specifically established to look at the implications of this Code a number of changes have been introduced:

- A revised Committee structure was introduced with effect from 1 August 2014;
- Enhancements to reporting arrangements and the effectiveness of the decision making process with effect from 1 August 2014;
- Court approval on 4 November 2013 of a statement setting out the specific roles of the Rector and of the Vice-Convener of Court;
- An open and transparent external recruitment process for a new Vice-Convener of Court (similar to Chair of Institution) was undertaken during 2013/14 managed by the Nominations Committee in line with the requirements of the Code including the involvement in the process of staff and students: a new Vice-Convener of Court was appointed with effect from 1 August 2014;
- Amendments were made to the composition and remit of the Nominations Committee with effect from 16 September 2013. This included a student member of Court being appointed to the Committee and the remit being extended to enable the Committee to manage the recruitment process for Co-opted members of Court and the Vice-Convener of Court. The remit was also amended so that the Vice-Convener of Court did not chair meetings of this Committee when it was considering their successor;
- Approval of: a Court Skills' Register, a generic job description for Co-opted Court members and a revised letter of appointment for Co-opted members (adapted for those joining Court via election/nomination by outside organisations) which includes the requirement of members to comply with the Nolan Principles;
- Amendments to the operation of the Remuneration Committee with effect from 1 August 2014. These amendments included: the Principal being in attendance at Committee meetings rather than a member of the Committee; the Convener being a lay member of Court appointed on the recommendation of the Nominations Committee but not the Vice-Convener of Court (although the Vice-Convener of Court remains a member of this Committee); and Court approval of a Remuneration Committee Framework for Decision Making document;
- The following documents were reviewed and amended: Delegated Authorisation Schedule; Statement of Court's Primary Responsibilities; Standing Orders; a list of items reserved for Court; and delegation arrangements for the Principal. A

more comprehensive revision of the Delegated Authorisation Schedule will be undertaken during 2014/15;

- The opportunity was also taken to formalise the Court's practices on equality and diversity matters with the approval of a Court Equality and Diversity Policy on 23 June 2014.

## University governance

The University of Edinburgh is constituted by the Universities (Scotland) Acts 1858 to 1966. The Universities (Scotland) Acts make specific provision for three major bodies in the Governance of the University: The Court, The Senate and The General Council.

## University Court

University Court, the University's governing body, is a body corporate, with perpetual succession and a common seal. The present powers of the Court are defined in the Universities (Scotland) Act (1966) and include the amendment of the composition, powers and functions of bodies in the University and the creation of new bodies, the administration and management of the whole revenue and property of the University, internal arrangements of the University, staff appointments and, on the recommendation of Senate, the regulation of degrees, admission and discipline of students. It is responsible for ensuring that the Senate has in place effective arrangements for academic quality assurance and enhancement. An approved Statement on Quality Arrangements has been in place since September 2013 and it is reviewed annually; a revised Statement was approved by the Court on 15 September 2014. The Court is responsible for the strategic development of the University, advised by the Principal in consultation with the Central Management Group.

The University Court has 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 Edinburgh University Students' Association (EUSA). The Principal is an ex-officio member and acts as the Chief Executive Officer of the University and its Accountable Officer. Co-opted members of 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 and the University Secretary, a number of senior officers of the University regularly attended meetings during 2013/14: Rector's Assessor, Senior Vice-Principal,

Vice-Principal Planning, Resources and Research Policy, Vice-Principal Public Policy and Impact, Heads of Colleges and Support Groups, Deputy Secretary Strategic Planning and Directors of Communications, Marketing and External Affairs, Estates and Buildings, Finance, and Human Resources.

Four members left Court at the end of the academic year 2012/13 and were succeeded by four new members including two representatives from EUSA. A Senate Assessor resigned during the year with effect from 13 September 2013 and a new Assessor was elected from 15 November 2013 on a short-term basis until 31 July 2014. An induction event was held at the beginning of September 2013 primarily for new members and 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 Interest of its members and senior University officers which is publicly available for inspection. The current interests of members of the Court are published on the University's website at: [www.ed.ac.uk/schools-departments/governance-strategic-planning/governance/university-court/overview](http://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; this has been further strengthened by approval of the letter of appointment as a result of work to ensure compliance with the Scottish Code of Good Higher Education Governance.

The Court met on six occasions during 2013/14 and considered any urgent matters which required Court approval between meetings via electronic communication. Members were also kept informed by electronic means of any significant issues affecting the University. Court seminars were held in September 2013 and February 2014 on 'Building on Success: Edinburgh Development and Alumni', and on the 'Future Strategy of the University of Edinburgh - the next 10 Years' respectively. 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. The Court believes that in all significant respects its operations are compliant with this Guidance. The Court at its meeting on 23 June 2014 received a report on the University's compliance with the 18 main principles



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## (continued)

within the Scottish Code of Good Higher Education Governance.

In June 2010 the Court approved an amended statement of its responsibilities which was reviewed by the Court Sub-Group considering the implementation of the Scottish Code of Good Higher Education Governance. A revised Statement reflecting the Code was approved by Court on 12 May 2014 and this statement and information on other governance arrangements within the University are available as part of the University's Freedom of Information publication scheme at: [www.ed.ac.uk/schools-departments/governance-strategic-planning/governance/university-governance/overview](http://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 approved Strategic Plan. The Strategic Plan operative during 2013/14 was adopted by the University Court at its meeting on 2 July 2012 and covers the period 2012–16. The strategic planning process is led by the Principal with support from the Vice-Principal with responsibility for Planning, Resources and Research Policy, the Deputy Secretary (Strategic Planning) and the Director of Finance.

During 2013/14, as well as the more routine items, Court considered the following:

- Taking forward the requirements of the Scottish Code of Good Higher Education Governance which included approval of a new Committee structure and a number of Court documents;
- Proposals for a possible strategic alignment with SRUC and approval of a People Strategy;
- Court further welcomed the introduction of the Court News, published following each meeting of Court on the student and staff news University webpages highlighting key items considered by Court. Court also continued to receive reports from the EUSA President outlining activities and matters arising from the student body.

### The Court's Committee Structure (operating during 2013/14)

The 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 Services.

This Committee structure was reviewed during 2013/14 and significant changes introduced with effect from 1 August 2014. These changes include the categorisation of Committees as Standing Committees reporting direct to Court and Thematic Committees reporting into these Standing Committees. A joint Committee with Senate has also been approved.

### Audit Committee

Convener: Court Member

During 2013/14 the Audit Committee was responsible for reviewing the University's annual report and financial statements and any changes to accounting policies and advising the Court accordingly. In addition, the Committee received regular reports from the Internal and External Auditors which included recommendations for improvements in internal control and management's responses and implementation plans. The Audit Committee's role in this area was confined to a high level review of the arrangements for internal control. The emphasis was on obtaining the relevant degree of assurance and not merely reports of exceptions. It also had explicit responsibility for advising on the effectiveness of the University's risk management arrangements.

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

- The Committee agreed the transitional arrangements in respect of the provision of External Audit Services and welcomed Mr Michael Timar and Ms Lindsey Paterson as the principal representatives of PwC to their first meeting of the Audit Committee on 27 February 2014;
- There was further discussion on the University's response to the Scottish Code of Good Higher Education Governance. It was noted that Court had approved the extension of the remit of Audit Committee to include oversight of risk management arrangements and the adoption of a new name of the Committee with effect from 1 August 2014: Audit and Risk Committee;
- The Chief Internal Auditor retired during 2014 and the Committee was involved in providing advice on the appointment of his successor: the

Committee welcomed Mr David Kyles to his first meeting on 29 May 2014;

- In accordance with previous discussions and recognising the Committee's amended remit from 1 August 2014, the Committee provided the Risk Management Committee with detailed comments and identified further risks to be considered for inclusion in the University's Risk Register operating during 2014/15.

From 1 August 2014 the Audit Committee's remit has been extended. It has been designated a Standing Committee, reporting directly to Court.

### Estates Committee

Convener: Vice-Principal Planning, Resources and Research Policy

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 the Gateway process. It considers and advises on significant matters related to the amount and deployment of Estates and Buildings recurrent budget, and operational matters across Colleges and Support Groups. The Central Management Group, the Finance and General Purposes Committee and the Court received a report on matters considered following each meeting of the Committee. From 1 August 2014 the Estates Committee has been designated a Thematic Committee reporting to the new Policy and Resources Committee and as required preparing papers for Court.

In addition to the above, the Committee progressed and reviewed estate visioning work to 2025 preparing material including a potential development programme to help inform the 2015–2025 estates strategy update.

### Finance and General Purposes Committee

Convener: Vice-Convener of Court

During 2013/14 the Finance and General Purposes Committee was responsible for overseeing the University's financial affairs on behalf of the Court and provided advice on business of particular importance or complexity. This included the design of the planning and budgeting process, consideration 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 had 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 received a report on matters

considered following each meeting of the Committee.

As well as the routine items including financial monitoring reports, estates and buildings reports and update on widening participation, student bursary schemes and the student experience it considered the following:

- Detailed consideration of the University's proposal in respect of the bid to become a new partner for the National Physical Laboratory (NPL), including the establishment of a Finance and General Purposes Committee Sub-Group: the University was subsequently unsuccessful with its bid;
- The Committee welcomed the introduction of a 10-year financial forecast report, enhancing the financial monitoring information provided to the Committee and its particular relevance in considering the financial requirements of the estates programme.

The last meeting of the Finance and General Purposes Committee was held on 9 June 2014 and within the new Committee structure the functions of this Committee will be taken forward by the Policy and Resources Committee (Standing Committee reporting directly to Court): Court members on the Finance and General Purposes Committee were appointed to the Policy and Resources Committee to ensure continuity.

### Health and Safety Committee

**Convener:** Director of Corporate Services

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.

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:

- Review of the University Health and Safety Policy
- Review of occupational health provision
- Health and Safety Executive inspections and investigations.

### Investment Committee

**Convener:** External Member

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 reported 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. From 1 August 2014, the Investment Committee has been designated a Thematic Committee reporting to the new Policy and Resources Committee and, as required, preparing papers for Court. The membership of the Committee has increased from 7 to 9 with effect from 1 August 2014.

In addition to the routine items it considered the following:

- Investment strategy, asset allocation, and opportunities for investing University cash;
- Private equity and other investment opportunities;
- Fund manager reviews with BlackRock, Hermes, Baillie Gifford, Royal London Asset Management, Old College Capital and Epidarex;
- United Nations Principles for Responsible Investments (UNPRI) consultation;
- Increased funds directed towards University spin-out financing;
- The suitability of alternative asset classes for the Endowments.

### Knowledge Strategy Committee

**Convener:** Vice-Principal Knowledge Management

The Committee oversees the University's knowledge management activities in the areas of 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 support the delivery of the core strategic goals. It further monitors progress against agreed targets. During 2013/14 the Central Management Group and the Court received reports as appropriate on matters considered by the Committee. It has a number of Committees which report into it. From 1 August 2014, the Knowledge Strategy Committee has been designated a joint Committee of Court and Senate (Court Standing Committee).

In addition to the routine items it considered the following:

- Distance Education
- IT Infrastructure Review
- Enhancement of University-wide IT Security
- Improvements to Business Intelligence / Management Information.

### Nominations Committee

**Convener:** Vice-Convener of Court

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 take forward 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.

The items and topics considered included:

- Detailed consideration of the implications on the activities of the Committee as a result of the publication of the Scottish Code of Good Higher Education Governance. This resulted during the year in a number of proposals being presented to Court for approval including:
  - a) Revised Terms of Reference for the Nominations Committee such that a student representative became a member of the Committee and the convenership was amended to confirm that the Vice-Convener did not chair meetings of the Committee where arrangements to appoint their successor was being considered as well as clarifying the role of the Nominations Committee in Court and Committee external members' appointments.
  - b) Revised terms of reference for the Remuneration Committee to confirm that the Principal should be in attendance at meetings of the Remuneration Committee but not be a member of the Committee and that the Vice-Convener of Court while a member of the Committee could not be its Convener.
  - c) Development of a Court members' Skills' Register and revised letter of appoint for Court members and those joining Court.
- Developed arrangements to take forward the recruitment of two new Co-opted members of Court and a new Vice-Convener of Court in line with the Scottish Code of Good Higher Education Governance including the development of job descriptions.

From 1 August 2014, the Nominations Committee has been designated a Standing Committee reporting directly to Court.

### Remuneration Committee

**Convener:** Court Member

The Remuneration Committee advises Court and oversees the preparation of policies and procedures in respect of salaries, emoluments and conditions

# Corporate governance statement

## (continued)

of service including severance arrangements for the University's senior management including the Principal and those at professorial or equivalent level. The Committee approves, in line with policies and procedures, the total remuneration package for the Principal, those senior staff reporting directly to the Principal, and as appropriate Professorial and equivalent staff.

From 1 August 2014 the terms of reference and membership of the Remuneration Committee have been amended to be compliant with the Scottish Code of Good Higher Education Governance: the Principal, while attending meetings of the Committee, is no longer a member, and the Convener is no longer the Vice-Convener of Court (similar to chair in other institutions). The Committee has also been designated a Standing Committee reporting directly to Court. At its meeting on 23 June 2014, Court approved a document setting out the decision making framework of the Committee.

### Risk Management Committee

**Convener:** Director of Corporate Services

During 2013/14 the Committee supported and advised the Central Management Group, the Audit Committee and the Court, on the implementation and monitoring of the University's risk management policy. It ensured that the identification and evaluation of key risks that threaten achievement of the University's objectives was carried out; that a register of these risks was maintained; that risks were being actively managed, with the appropriate strategies in place and working effectively; and contributed 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 received reports as appropriate and in particular the annual assurance statement and the outcome of the review of the University's Risk Register.

The Committee reviewed and amended the University's strategic Risk Register which was then approved by the Court. The Registers of Colleges, Support Groups and subsidiary companies were also reviewed by the Committee. The Annual Report prepared by the Risk Management Committee on its activities provides information to the Audit and Risk Committee and the Court on the adequacy of the University's risk management arrangements and formed 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:

- Embedding the Risk Appetite into the University (following Court approval of a significantly revised Risk Policy and Appetite Statement in June 2013);

- The annual report to the Scottish Funding Council on institution-led review and enhancement activity;
- The Bribery Act;
- The remit of the Committee and its interaction with the Audit and Risk Committee in light of the changes implemented from 1 August 2014.

From 1 August 2014, the Risk Management Committee has been designated a Thematic Committee reporting directly to the Audit and Risk Committee with papers as appropriate being considered by the Central Management Group. The Audit and Risk Committee now has an oversight of risk management and it will be this Committee which provides Court with assurances on the University's risk management arrangements based on the advice and information provided to it by the Risk Management Committee.

### Staff Committee

**Convener:** Vice-Principal Equality and Diversity

The Staff Committee provided advice and guidance on the University's strategic human resources policies and objectives and provided assurance that the University was monitoring its performance and managing its HR issues effectively. The Committee reported to the Court via the Central Management Group and the Finance and General Purposes Committee following each Committee meeting. From 1 August 2014 the Staff Committee has been renamed the People Committee and designated a Thematic Committee reporting to the new Policy and Resources Committee with papers as appropriate being considered by the Central Management Group and Court.

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:

- Finalising the development of the University's People Strategy;
- A range of issues around mainstreaming and embedding elements of the Equality and Diversity Strategy particularly gender issues such as progression.

### Exception Committee

As a result of the review of the Committee structure, Court approved the establishment of an Exception Committee with effect from 1 August 2014 to improve the efficiency of the decision making process and enable items to be approved between Court meetings. It is anticipated that much of the work of this Committee will be undertaken by electronic means and no schedule of Committee meetings has therefore been set.

### Central Management Group

The Central Management Group, while formally advisory to the Principal, is the senior body taking forward 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 reported through the Finance and General Purposes Committee to the Court. The Central Management Group is chaired by the Principal and during 2013/14 it met on eight occasions. As part of the overall review of the Committee structure terms of reference were agreed for the Group and its reporting arrangements revised with effect from 1 August 2014.

### The Senate

The Senate is the academic authority of the University and draws its membership from the academic staff and students of the University. Its role is to superintend and regulate the teaching and discipline of the University and to promote research. The Principal presides at meetings of the Senate. During the Academic Year 2013/14, 67 new members joined Senate and 45 demitted membership. The Senate held three meetings during the academic year with presentations delivered on:

- Open Access
- Embedding Equality
- The University in the Community

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 and an evaluation of Innovative Learning Week. 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 in 2013/14:

- Approved the following policies: Non Graduating Student Policy and Procedure, Informing Students of their Final Programme, Course and Progression Results Policy, and the Code of Student Conduct;
- Approved the following guidance: Boards of Studies Terms of Reference, Non Credit Bearing

Online Course Approval: Procedure for External Release, and the development of assessment and examination guidance regarding mitigating the impact of possible industrial action;

- Programme and Course Information Management Project (PCIM) delivered: University level principles for programme and course design, development, approval, changes and closure, confirmation of the purpose of programme and course handbooks and core content, and development of an enhanced course descriptor; and
- Credit for Study Abroad Task Group recommended steps to adopt for a consistent institution wide approach to the arrangements for the award of credit for study abroad.

#### Learning and Teaching Committee

**Convener:** Vice-Principal Professor 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 discusses and promotes academic developments, whether internally or externally driven.

As well as the more routine items, the Committee took forward the following in 2013/14:

- Discussion initiated on the future learning and teaching strategy and its governance. 'An Emerging Design for Learning and Teaching' proposed wide-ranging and ambitious ideas for the curriculum and its delivery: there will be wider consultation in 2014/15;
- Oversaw the development of a 'Vision for the Student Experience at the University of Edinburgh';
- Engaged with the following external developments: Curriculum for Excellence; Grade Point Averages Project; mapping against UK Quality Code Chapter B3: Learning and Teaching; and Massive Open Online Courses (MOOCs).

#### 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 or externally driven.

As well as the more routine items, the Committee took forward the following in 2013/14:

- Continued oversight of the implementation of recommendations from the 2011 Enhancement-

led Institutional Review (ELIR) and preparation for the next ELIR in 2015;

- Participated in project group on enhancements to the University's Collaborative Provision framework;
- Participated in setting the groundwork for the planned Quality Hub, which aims to synthesize key internal and external information;
- Held the first Periodic Review of Information Services, as part of a planned programme of reviews of Student Support Services;
- Worked with Senate Curriculum and Student Progression Committee (CSPC) to ensure mechanisms established to incorporate Massive Open Online Courses (MOOCs) into the wider quality assurance framework.

#### Researcher Experience Committee

**Convener:** Assistant Principal 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 in 2013/14:

- Code of Practice for Supervisors & Research Students - major review of the Code providing enhanced, accessible information for supervisors and research students;
- Induction and Admissions - worked with Student Experience Project and Student Recruitment and Admissions to develop an enhanced arrival and induction experience for new postgraduate research students;
- Employability - contributed a postgraduate research perspective to the Employability Project;
- Began scoping the Postgraduate Research Experience project.

Senate Committees submit an annual report to Senate providing an overview of the major items of Committee business completed and to proposing strategic issues for the Committees to focus on for the next academic year and beyond, for approval by Senate. Court considered and noted this report at its meeting on 23 June 2014.

#### The General Council

The General Council consists mainly of graduates and includes eligible academic staff and a more limited number from other related categories. As at 31 July 2014 it had 192,104 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 the 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 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 2013/14 the following items were discussed at these meetings:

- The Principal, Professor Sir Timothy O'Shea, reported on the University's Reports and Financial Statements at the February Half-Yearly meeting;
- The June 2014 Half-Yearly meeting was held at the University of Toronto and members heard about the University's Internationalisation Strategy and the Student Experience from the Principal, and the Vice Principal International, Professor Steve Hiller;
- Through its Business Committee members 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 2013/14 as well as the more routine items the Committee took forward the following:

- Implications of possible changes to Scottish Constitutional arrangements on the University of Edinburgh and the higher education sector;
- Contributed to Development & Alumni's Alumni Engagement Strategy review;
- Followed up with senior academic staff on the continuing issue of the Student Experience, in particular in Learning and Teaching.

#### Academic Standing Committee

**Convener:** Dr Bruce Ritson

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

# Corporate governance statement

## (continued)

### Constitutional Standing Committee

Convener: Mr Gordon Cairns

The Committee advises on matters affecting the constitutional arrangements of the General Council, including those appertaining to the constitutional relationship between the General Council and its Business Committee and other parts of the University.

### Finance & Services Standing Committee

Convener: Ms Kirsty MacGregor

The Committee advises on the general financial affairs of the University; the funding of the General Council; and in addition reviews trends in staff and student numbers and patterns of graduation.

### Public Affairs Standing Committee

Convener: Mr Simon Fairclough

The 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 and on all matters concerning alumni and public engagement.

### The University's system of internal control

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

The internal control environment includes delegated authorities, policies, procedural and system controls, planning and budgetary processes, professional capability in specialist areas, governance structures and management reporting. The current Delegated Authorisation Schedule was approved by the Court in June 2010 and will be reviewed in 2014/15 to reflect in particular the new Committee structure and other matters introduced as part of the University's approach to taking forward the Scottish Code of Good Higher Education Governance. 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 received regular reports from internal audit which include recommendations for improvement.

The University operates processes for the identification, evaluation and management of

significant risks. The risk management framework established in the University includes a Risk Management Committee which operated as a formal Court Committee during 2013/14 and was responsible for overseeing the 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 was taken forward in 2013/14. From 1 August 2014 the Risk Management Committee has been designated a Thematic Committee reporting to the new Audit and Risk Committee. The Audit and Risk Committee has been designated a Standing Committee reporting directly to Court and it is this Committee which now has oversight of risk management arrangements based on advice and information from the Risk Management Committee. The University's strategic 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: it aligns to the University Strategic Plan 2012–16. During 2013/14 the Register was 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 on 23 June 2014.

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

Internal Audit undertake an independent review of the operation of the overall risk management process, having regard to best practice as recommended by professional institutes and other relevant organisations. The Audit and Risk Committee considered the Internal Audit opinion on risk management at its meeting on 16 September 2014 and expressed itself satisfied with the outcome.

By its 8 December 2014 meeting, the Court had received the Audit and Risk Committee Report for the year ended 31 July 2014 (which set out the activities undertaken by the Audit Committee during 2013/14) and information from the Risk Management Committee; it also had taken account of relevant events since 31 July 2014. During 2013/14, the Audit

Committee was responsible for advising the Court on the effectiveness of policies and procedures for risk assessment and risk management arrangements. Going forward this will be the responsibility of the Audit and Risk Committee. The Court considers, on the recommendation of the Audit and Risk Committee (as successor to 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 2014.

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 for 2013/14 presented to the Audit and Risk Committee on the adequacy and effectiveness of systems of internal control including governance and risk management, together with recommendations for improvement, along with the Principal's expression of satisfaction with the performance of the Internal Audit service in his capacity as Accountable Officer;
- The Risk Management Committee's Annual Report 2013/14 presented to the Audit and Risk 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 (e.g. the Quality Assurance Agency for Higher Education, SFC).

### Charitable status

The University had charitable status (No. SC005336) under the legislative framework operative throughout the 2013/14 financial year. The University Court considers that the University meets the 'Charity Test' set out in Section 7 of the Charities and Trustee Investment (Scotland) Act 2005 and it will take such actions as are necessary to ensure continued full compliance with the legislation and retention of charitable status.

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

Income derived from philanthropic donations and benefactions arising from the University's

development activities are disbursed by a trust with separate charitable status: The University of Edinburgh Development Trust. The Board of Trustees includes individuals external to the University. The President during most of 2013/14 was a former member of the Court: a new President was appointed with effect from 1 July 2014. 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 manage its activities successfully having taken account of 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 when preparing the Accounts.

### Responsibilities of the Court

On 21 June 2010 the Court adopted this Statement of Primary Responsibilities as set out below and which was in operation during 2013/14.

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 the 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.

#### 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 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.

# Corporate governance statement

(continued)

## 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 take reasonable steps to prevent and detect fraud;
- secure the economical, efficient and effective management of the University's resources and expenditure.



**Dr Anne Richards**  
Vice-Convenor of Court  
08 December 2014

## Members of Court

### Mr Perter McColl Rector

Mr McColl, an alumnus of the University who is a writer, activist and charity worker from Edinburgh was named as Rector from 1 March 2012 following an uncontested election. He succeeds writer and broadcaster Iain Macwhirter as Rector.

Mr McColl came to Edinburgh in 1998 to read geography and holds both an undergraduate degree and Masters from the University. He was Vice-President of the Students' Association 2001–02 and had been President of the University's People and Planet society prior to that. After University Mr McColl worked as an advisor to Mark Ballard MSP, who was Rector 2006–2009, and was Mr Ballard's assessor while he was Rector.

Mr McColl was Chair of Transition Scotland Support 2008–2011 and is an editor of the Bright Green blog.

In 2011 Mr McColl was voted one of the top 100 political bloggers, and was voted top Green blogger by Total Politics magazine.

#### Memberships:

2013/14 Court	2014/15 Court until 28 February 2015
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### Professor Sir Timothy O'Shea Principal and Vice-Chancellor

Timothy O'Shea worked as a researcher in the Computer Science Department of the University of Texas at Austin, the Bionics Research Lab at the University of Edinburgh and the Systems Concepts Lab, Xerox PARC, California.

In 1978 he founded the Computers and Learning Research Group at the Open University and was promoted to a personal chair in Information Technology and Education in 1986. He was appointed Pro-Vice-Chancellor of the Open University in 1993. In 1997 he was elected Master of Birkbeck and subsequently appointed Provost of Gresham College and Pro-Vice-Chancellor of the University of London. He held all three posts concurrently until he returned to Edinburgh as Principal and Vice-Chancellor of the University in October 2002.

His academic output, produced mainly in collaboration with others and on topics relating to computer-based learning, artificial intelligence, and mathematics education, includes 10 books, 22 BBC television programmes and over 100 journal articles. He is currently researching Massive Open Online Courses (MOOCs) and during study leave at Stanford University in early 2012 initiated a partnership with Coursera, a social entrepreneurship company that operates a MOOC platform.

In 2014 Debrett's, in association with the Sunday Times, named in the top 500 most influential people in the UK and listed Tim in the top 30 in Technology.

#### Memberships

2013/14 Court Finance and General Purposes Committee Nominations Committee Remuneration Committee	2014/15 Court Nominations Committee Policy and Resources Committee
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### Sheriff Principal Edward F Bowen Chancellor's Assessor

Sheriff Principal Bowen CBE TD QC was educated at Melville College and the University of Edinburgh. He was called to the Scottish Bar in 1970 and practiced mainly in civil work. In December 1979 he was appointed an Advocate Depute and prosecuted in the High Court for four years before being appointed Sheriff of Tayside Central and Fife at Dundee in 1983. While serving as Sheriff in Dundee, he was a Governor of the Dundee Institute of Technology (now the University of Abertay). In 1990 he resigned from the shrieval bench and resumed practice. In 1992 he was appointed Queen's Counsel. In October 1997 he was appointed Sheriff Principal of Glasgow and Strathkelvin before transferring to the Sheriffdom of Lothian and Borders in 2005, retiring from that office in May 2011.

He has served in various other capacities: as a Chairman of Employment Tribunals; a member of the Criminal Injuries Compensation Board (CICB); chaired the groups which established Scotland's first Drugs Court and Domestic Abuse Court; and chaired the Review of Sheriff and Jury Procedure which reported in June 2010. He has served as a Temporary Judge in Court of Session and High Court of Justiciary since 2000. He was a Commissioner of Northern Lighthouses from 1997 to 2011, and Chairman of the Board from 2003 to 2005.

Sheriff Principal Bowen was appointed Commander of the Order of the British Empire (CBE) in the 2010 New Year's Honours List.

#### Memberships

2013/14 Court	2014/15 Court
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### Mr Alan Johnston General Council Assessor

Alan Johnston qualified in Biochemistry and postgraduate Business Administration, and holds Fellowships and Chartered status of both the UK Society of Biology and Royal Society of Chemistry. He spent some 30 years with Inveresk Research (subsequently Charles River Laboratories) in Edinburgh, initially in practical Safety of Medicines research, then Operations Management, and occupied the position of Commercial Director for the latter 10 years, through the periods of Management Buyout, USA NASDAQ IPO (at multi-million-dollar level) and subsequent mergers. At that point, the Company employed some 1,000 staff locally and was attracting International Research business largely from Northern Continental Europe, USA & Japan. Alan travelled extensively in these territories, where he had responsibility for Commercial staff. He retired early from this, and from Convener of the Statutory General Council at Edinburgh University.

He is now Trustee of Educational Charities and two significant Pension Funds; is President of the Edinburgh Angus Association and Chairs Edinburgh University SBS Trustees. He was until 2009 Treasurer of the UK Institute of Biology, and immediate-past-President of Edinburgh University Graduates' Association. He was Chair of the Board of Marketing Edinburgh Ltd until retirement in 2014, and holds other non-executive and advisory positions with Biosciences Organisations, including the Advisory Board of the Scottish Life Sciences Association and CXR Biosciences Ltd. He is a member of the Board of Edinburgh College, is actively involved with "Business Angel" investments in early-stage Life Sciences companies, and has acted as a Young Enterprise Business Adviser.

**Memberships**

2013/14	2014/15
Court	Court
Audit Committee	Audit and Risk Committee (Convener)
Remuneration Committee	Exception Committee
Nominations Committee	Nominations Committee
	Remuneration Committee

**Professor Ann Smyth****General Council Assessor**

Ann Smyth was educated at the University of Edinburgh, graduating with a BSc in Psychology in 1970 and a PhD in 1974. Following professional training as a clinical psychologist she was awarded an MPhil (Clin Psych) in 1975. Through a decade of clinical practice in medical settings she developed research interests in the detection and remediation of psychological distress in people with physical illness. From 1988 to 2001 she led a research group funded by the Imperial Cancer Research Fund, during which time she played a leading role nationally and internationally in the development of the speciality of psychosocial oncology.

She served on the Board of the European Organisation for Research and Treatment of Cancer (1997–2000) and chaired its Quality of Life Group (1996–2000). From 2001 to 2008 she was Director of Training for Psychology Services for NHS Education for Scotland. She was awarded an honorary professorship by the University of Glasgow in 2006 and became a Fellow of the RSA in 2010. She was elected as a General Council Assessor in 2007 and re-elected to serve a second term from 2011.

**Memberships**

2013/14	2014/15
Court	Court
Finance and General Purposes Committee	Exception Committee
Knowledge Strategy Committee	Knowledge Strategy Committee (Convener)
	Policy and Resources Committee

**Ms Doreen Davidson****General Council Assessor**

Doreen Davidson graduated as a Bachelor of Arts from the University of Edinburgh. She went on to do a post-graduate course in Human Resource management and is a member of the Institute of Personnel & Development (CIPD).

She has had a long career in human resource management, initially in the publishing sector (with Holmes McDougall), as well as a short spell with a large organisation in Johannesburg, South Africa (Brown Boveri). For more than 30 years she has worked with a large contract research organisation. The company was originally known as Inveresk Research but became part of a global organisation of more than 7,000 staff called Charles River Laboratories, headquartered in Massachusetts, in October 2004. Her current role is Senior Director of Human Resources for their UK and Ireland operations (ca 1,100 staff). As well as having overall responsibility for all human resources and training strategies in these territories, she is also a member of the Executive management team which oversees the preclinical operations in the UK and Ireland. During the period when the company was part of the Inveresk group, she played an active role in mergers and acquisitions including a management buy-out, a number of European acquisitions, a US NASDAQ listing and the sale of the Inveresk group to Charles River in 2004.

In addition to the above, she is currently a member of the General Council Business Committee and previously was Convener of the Finance & Services Standing Committee for three years. She is currently a member of the Advisory Board for the Scottish Life Sciences Association and is chair of its Human Resources Special Interest Group.

She was elected to join the Court of the University of Edinburgh from August 2013.

**Memberships**

2013/14	2014/15
Court	Court
Staff Committee from 4 November 2013	Investment Committee
	Knowledge Strategy Committee
	People Committee

**Dr Marialuisa Aliotta****Senatus Academicus Assessor**

Marialuisa Aliotta received a PhD in Physics from the University of Catania (Italy) in 1999. After spending two years in Germany as an Alexander von Humboldt post-doctoral Fellow (1999–2001), she moved to Edinburgh in 2001 when she was appointed Lecturer in the School of Physics & Astronomy at the University of Edinburgh. She was promoted to Senior Lecturer in August 2008 and to Reader in 2013.

Dr Aliotta's research focuses on Experimental Nuclear Astrophysics and she carries out work at various international nuclear physics laboratories worldwide. She serves on the Nuclear Physics Advisory Panel for the Science & Technology Facilities Council and on the selection panel for the Ernst Rutherford Fellowships.

**Memberships**

2013/14	2014/15
Court	Court
Finance and General Purposes Committee	Policy and Resources Committee

**Professor Jake Ansell****Senatus Academicus Assessor**

Jake Ansell gained a BSc in Mathematics from the University of Leicester in 1975, MSc in Statistics from the University of Newcastle-Upon-Tyne in 1977 and PhD from University of Keele in 1986.

He became a Chartered Statistician in 1993. He has taught at a number of universities before arriving at the University of Edinburgh in 1990 as Lecturer in Operational Research and Statistics.

He was Associate Dean for admissions for the Faculty of Social Science 1996–99 and 2000–01, Associate Dean for Quality Assurance and Enhancement 2003–05 College of Humanities and Social Science and Dean of Undergraduate Studies College of Humanities and Social Science 2005–09.

**Memberships**

2013/14	2014/15
Court	Court
Nominations Committee	Exceptions Committee
	Nominations Committee

**Professor David J Finnegan**  
Senatus Academicus Assessor

David Finnegan obtained a BSc in Genetics from the University of Adelaide in 1968 and a PhD in Molecular Biology from the University of Edinburgh in 1972. He carried out postdoctoral work at the University of Oxford and Stanford University before taking up a Lectureship in the Department of Molecular Biology, University of Edinburgh in 1977. He was Head of the Institute of Cell and Molecular Biology 1993-98 and of the Division/School of Biological Sciences 1998-2003 and is currently Head of the Institute of Cell Biology.

His research is in the area of molecular genetics and he was elected a member of the European Molecular Biology Organisation in 1987 and a Fellow of the Royal Society of Edinburgh in 1998. He has been a member of several Research Council grant committees and has advised NFR (Sweden) and CNRS (France), and was Chair of the Biological Sciences sub-panel for RAE 2008 and chair of the Biology panel for RAE2014 in Hong Kong. He is a Trustee of the Darwin Trust of Edinburgh.

**Memberships**

2013/14  
Court

**Professor Anthony Harmor**  
Senatus Academicus Assessor

Tony Harmor obtained a BA in Biochemistry and a PhD in Pharmacology at the University of Cambridge. He held postdoctoral fellowships at the Friedrich Miescher-Institut (Basel, Switzerland) and at the University of Bristol before joining the staff of the MRC Brain Metabolism Unit, Edinburgh, in 1981.

He joined the University of Edinburgh in 2001 and held the Chair of Pharmacology. He was Head of the Division of Neuroscience from 2002-05 and Head of the School of Biomedical Sciences from 2005-08.

He was elected a Fellow of the Royal Society of Edinburgh in 1996. His research focused on the influence of circadian rhythms on physiology, metabolism and behaviour. He was a Vice Chair of the International Union of Basic and Clinical Pharmacology Committee on Receptor Nomenclature and Drug Classification (NC-IUPHAR) and his team managed the IUPHAR Database, an online resource of information on medicinal and experimental drugs and their targets. He demitted office from Court on 16 September 2013.

**Memberships**

2013/14  
Court until 16 September 2013  
Staff Committee until 16 September 2013

**Professor Julie Taylor**  
Senatus Academicus Assessor

Julie Taylor is the inaugural chair of the Child Protection Research Centre, an innovative partnership between the University of Edinburgh and the National Society for the Prevention of Cruelty to Children (NSPCC). Before taking up post in early 2013, she was Head of Strategy and Development (Abuse in High Risk Families) with the NSPCC while on a three-year secondment from her post as Professor of Family Health in the School of Nursing and Midwifery, University of Dundee.

A nurse by profession, funded research has been focused around optimal service delivery conditions for child care and protection practice, including 'good enough' parenting debates. She is the author of five books and over 100 academic papers in child care and protection, most recently focused on children living with domestic abuse experience and child neglect.

**Memberships**

2013/14  
Court from 15 November 2013 until 31 July 2014

**Professor Sarah Cooper**  
Senatus Academicus Assessor

Sarah holds a BA (Hons) in Geography from the University of Nottingham and a PhD from Heriot-Watt University, awarded in 1997 for her work on the location and growth of high technology small firms.

She joined the University of Edinburgh Business School as a Senior Lecturer in Entrepreneurship in September 2008 and was promoted to her Chair of Entrepreneurship and Enterprise Development in 2013. Prior to joining the University of Edinburgh she held positions as Senior Lecturer in Entrepreneurship at the University of Strathclyde (2002-08), Lecturer in Strategy at Heriot-Watt University (1992-2001), and Research Associate in Business Organisation at Heriot-Watt University (1986-92).

Sarah's main research interests lie in entrepreneurship education and factors influencing new venture creation and growth, while her teaching experience spans undergraduate, postgraduate and continuing professional development communities, primarily in the UK and United Arab Emirates.

She was the Director of Undergraduate Programmes for the Business School from 2011 to 2014.

**Memberships**

2014/15  
Court

**Dr Claire Phillips**  
Senatus Academicus Assessor

Claire Phillips qualified as a veterinary surgeon with a BVM&S degree from the University of Edinburgh and became a member of the Royal College of Veterinary Surgeons in 1984. She spent 7 years in mixed and small animal general veterinary practice in Hertfordshire, Yorkshire and the west of Scotland before returning to Edinburgh where she gained her PhD in 1995. She lectured in Veterinary Nursing in Dumfries and Galloway before being appointed Lecturer in Veterinary Microbiology at Edinburgh in 1999. In 2006 she was appointed Veterinary Clinical Lecturer in Small Animal Practice and promoted to Senior Lecturer in 2009. She is a member of the Veterinary Medical Education Division at the Vet School and is a Fellow of the Higher Education Academy.

She has been Director of Veterinary Admissions and Deputy Director of Veterinary Teaching since 2010 and Director of Quality at the Vet School since January 2014. Her interests are in the areas of anatomy, clinical skills, communication skills and curriculum development. Her research interests are in admissions and assessment.

# Corporate governance statement

## (continued)

### Memberships

2014/15  
Court

#### **The Rt Hon Donald Wilson** City of Edinburgh Council Assessor

Born in 1959 in Selkirk, Donald Wilson attended Galashiels Academy. Further academic achievements include a BA (Hons) from Stirling University, an MSc in Information Science from London's City University, and a teaching qualification from Moray House in Edinburgh.

A former teacher of Computing at Newbattle Community High School, he has also served as an ICT Curriculum Development Officer and an Adult Education Tutor.

In 1999, he was elected as a City of Edinburgh Councillor, representing the Shandon ward. Donald has served on a range of Committees, and was Executive Member for Communications & Business Management (2001 to 2002), Modernising Government (2003 to 2005) and for Smart City (2000 to 2007), Chair of Edinburgh & Lothians Tourist Board and Edinburgh Convention Bureau (2003 to 2005), Chair of the Edinburgh International Science Festival (1999 to 2007) and Chair of the Edinburgh South West Neighbourhood Partnership (2007 to 2012). Other active interests include the Edinburgh Institute for Mathematical Sciences.

### Memberships

2013/14	2014/15
Court	Court

#### **Professor Stuart Monro** Co-Opted Member of Court

Stuart Monro graduated in Geology from Aberdeen University in 1970 and received his PhD from the University of Edinburgh. He had a lengthy career with the British Geological Survey, making a number of distinguished contributions to the understanding of the geology of central Scotland and the application of geology to environmental issues. As Scientific Director, he was instrumental in establishing Our Dynamic Earth in Edinburgh, which facilitates a better public understanding of the processes that have shaped the Earth. He also holds the part-time position of Scientific Director of the Scottish Consortium for Rural Research.

He was elected a Fellow of the Royal Scottish Society of Arts in 1998, and served as President from 2002 until 2005. He has also served as President of the Westmorland and of the Edinburgh Geological Societies. In 2003 he was appointed to the Scottish Science Advisory Council (SSAC), which provides strategic advice to the Scottish Government on scientific issues and served as its first independent co-chair with the Chief Scientific Advisor for Scotland till October 2009. Stuart served as a Trustee of the National Museums of Scotland from 2005 to 2013 and a part-time tutor in Earth Sciences at the Open University from 1982 till 2009 and has served on the OU's Senate and Council. He is an Honorary Professor in the University of Edinburgh (School of Geosciences) and a non-executive Director of the Edinburgh International Science Festival.

He was awarded an OBE for services to science in the New Year's Honours list 2007, and the Geological Society of London's Distinguished Service Award in 2009. He received the honorary degree of Doctor of the University from the Open University in 2011.

### Memberships

2013/14  
Court (Vice-Convenor)  
Finance and General Purposes Committee (Convenor)  
Investment Committee  
Knowledge Strategy Committee  
Nominations Committee (Convenor)  
Remuneration Committee (Convenor)

#### **Mr David Bentley** Co-Opted Member of Court

David Bentley is a chartered accountant and prior to his retirement he was Group Chief Accountant and Deputy Group Finance Director of Standard Life and a Director of various Standard Life subsidiaries. He graduated with a BAcc (Hons) degree from the University of Glasgow and worked for Price Waterhouse and then in the whisky industry before joining Standard Life. David has served as a member of Council of the Institute of Chartered Accountants of Scotland (ICAS) and as Chairman of the ICAS Audit Committee and Chairman of the ICAS Technical Policy Board. He is currently Chairman of the ICAS TPE Examinations Board and is a member of the Audit Committee of the Law Society of Scotland. David is a past member of the ABI Financial Regulation and Taxation Committee and the CBI Financial Reporting Panel. He has also served as an external member of the Audit Committee of the University of Edinburgh and as a trustee of the Scottish Accountancy Trust for Education and Research.

### Memberships

2013/14	2014/15
Court	Court
Estates Committee	Estates Committee
Finance and General Purposes Committee	Policy and Resources Committee

#### **Dr Robert Black** Co-Opted Member of Court

Robert Black CBE was appointed by the Queen as Scotland's first Auditor General, a post which he held between 2000 and 2012. He arranged for the financial audits and performance reviews of over 200 public bodies in Scotland, including the Scottish Government and the Scottish Parliament. He was Controller of Audit and Chief Executive of the Accounts Commission between 1995 and 2000. His earlier career was in local government, serving as chief executive of Tayside Regional Council between 1990 and 1995 and Stirling Council from 1985 and 1990. Before then he worked in policy planning and research in Strathclyde Regional Council, Glasgow City Council and Nottinghamshire County Council. Dr Black is a Fellow of the Royal Society of Edinburgh. He holds an Honours MA degree in economic science from the University of Aberdeen, an MSc degree in town planning from Heriot Watt University and an MSc degree in public policy from the University of Strathclyde. He has an Honorary Doctor of Law degree from the University of Aberdeen and an Honorary Doctorate of Business Administration from Queen Margaret University. He is an Honorary Member of the Chartered Institute of Public Finance and Accountancy.

### Memberships

2013/14	2014/15
Court	Court
Nominations Committee	Audit and Risk Committee
Risk Management Committee	Nominations Committee
	Risk Management Committee

**Mr Peter Budd****Co-Opted Member of Court**

Peter Budd is a professional civil/structural engineer, a Director of Ove Arup & Partners International Limited, Chairman of Arup Scotland and leads Arup's global aviation business.

He has worked in Africa, the Middle East, East Asia and the USA, and has recently been involved in the planning and design of airports globally. He Chairs the Airports Advisory Council which advises the British Government on matters relating to export policy in the sector. With strong links to China, Peter is heavily involved with China-Britain Business Council (CBBC) which supports the development of Sino-British trade. Peter is a Fellow of the 48 Group Club, an independent business network committed to promoting positive relations with China.

**Memberships**

2013/14	2014/15
Court	Court
Audit Committee	Audit and Risk Committee
Estates Committee	Estates Committee

**Dr Chris Masters****Co-Opted Member of Court**

Chris Masters CBE, FRSE is currently Chairman of Energy Assets Group plc, the Senior Independent Director of the Crown Agents and a Non-Executive Director of Speedy Hire PLC. He was previously Chief Executive of Christian Salvesen PLC, Executive Chairman of Aggreko plc and Chair of the Scottish Higher Education Funding Council, Babbie Group Ltd and the Scottish Media Group PLC. An industrial chemist by training, he has extensive experience of international business, is a fellow of the Royal Society of Edinburgh and the independent Co-Chair of the Scottish Science Advisory Council.

**Memberships**

2013/14	2014/15
Court	Court
Finance and General Purposes Committee	Investment Committee
Investment Committee	Policy and Resources Committee
Remuneration Committee	Remuneration Committee

**Mr Les Matheson****Co-Opted Member of Court**

Les was educated at Robert Gordon's College in Aberdeen and graduated from Edinburgh University with a BCom (Hons). Whilst at Edinburgh he was Chairman of the Industrial Society and President of the Karate Club. He was awarded a half blue in karate.

Les joined Procter & Gamble on their brand management graduate program followed by Jacobs Suchard which became part of Kraft. His assignments took him from the UK to Belgium then Switzerland, where he became European Marketing Director, and then Argentina where he was Managing Director of the business.

In 1997 Les joined Citibank in Asia Pacific, working across the region in marketing and then general management roles. He became CEO of Citibank Australia in 2002 and then Group CEO in 2004 where he added Hong Kong the Philippines and the Pacific Islands to his portfolio. Les joined RBS UK Retail in 2010 where he is now CEO for Personal & Business Banking, based in Edinburgh.

Les has held a number of directorships including Chairman of Diners Club Australia, Deputy Chairman of the Australian Bankers Association (2003–2005) and a director of Citicorp Life Insurance Australia. He is currently a Director of Visa Europe Ltd.

**Memberships**

2013/14	2014/15
Court	Court
Finance and General Purposes Committee	Policy and Resources Committee until 15 August 2014
Investment Committee	

**Mrs Elaine Noad****Co-Opted Member of Court**

Elaine Noad was appointed to the Court in 2011 following experience in local government and the voluntary sector. Her local government career culminated in her appointment in 1995 as Director of Social Work and Housing with South Ayrshire Council.

Since 2006 Mrs Noad has held several public appointments and roles with voluntary organisations. She is currently a lay Member of the Scottish Solicitors Disciplinary Tribunal, a lay Member for the General Teaching Council (Scotland) Panel, a Board Member with the Mental Welfare Commission for Scotland, a Member of the Scotland Committee for the Commission for Equalities and Human Rights.

Her academic qualifications include: BA Law; Certificate of Qualification in Social Work (CQSW) /Diploma in Applied Social Studies (DASS), MSc Criminology; Diploma in Public Administration (DPA); MSc Local Government Management.

She was awarded an OBE in 2009 for services to disability in Scotland.

**Memberships**

2013/14
Court
Audit Committee
Nominations Committee

**Dr Anne Richards****Co-Opted Member of Court**

Anne graduated with a First Class Honours degree in Electronics and Electrical Engineering from the University of Edinburgh. After completing a research fellowship at CERN, the European Organisation for Nuclear Research in Geneva, she spent two years with Cambridge Consultants before taking a year out to study for an MBA at Insead in Fontainebleau, France. She began her City career as an analyst with Alliance Capital in 1992, subsequently moving onto portfolio management, firstly with JP Morgan Investment Management, and then with Mercury Asset Management, later MLIM. In 2002 she joined the main board of Edinburgh Fund Managers plc as Chief Investment Officer and Joint Managing Director. She continued in her role as global Chief Investment Officer for the combined entity when EFM was taken over by Aberdeen Asset Management in 2003, joining the main board of Aberdeen, a FTSE100 company, in 2011.

In addition to her work at Aberdeen Asset Management, Anne holds a number of non-executive positions. She is a director of esure Group plc. She is also a member of Council of the Duchy of Lancaster and a member of the FCA Practitioner Panel.

Anne is a Chartered Engineer and holds a Certified Diploma in Accounting and Finance. She is a Fellow of the Chartered Institute for Securities and Investment, an honorary Fellow of the CFA Institute (UK) and holds an honorary Doctorate of Letters from Heriot-Watt University. Anne is a member of the Board of Leaders of 2020 Women on Boards and is the recipient of the 100 Women in Hedge Funds 2014 European Industry Leadership Award. In 2014 Anne was appointed a Commander of the Royal Victorian Order (CVO) for services as a Member of Council of the Duchy of Lancaster.

#### Memberships

2013/14	2014/15
Court	Court (Vice-Convener)
Audit Committee (Convener)	Exception Committee (Convener)
Remuneration Committee	Nominations Committee (Convener)
	Policy and Resources Committee (Convener)
	Remuneration Committee

#### Ms Mandy Exley

Mandy Exley was Principal at Edinburgh College, Principal and Chief Executive at Jewel & Esk College for two and a half years and Principal at UHI Perth College for five years.

Mandy has worked in education for over 25 years and her career has been both in England and Scotland, working in large inner city colleges in Birmingham, Manchester and Stoke and rural colleges in Gloucestershire, Perth and the Highlands and Islands. Her career culminated in England as Vice Principal at The Gloucestershire College, having been Assistant Principal in two previous posts.

Mandy moved to Scotland in 2000 and bought and ran a small Hotel and Restaurant in Perthshire whilst continuing to work in the College sector as a consultant until November 2003 when she joined Perth College to work on developing business with SMEs and improving the Colleges external relations. She was appointed to Principal in July 2005 and the College won a number of international and business awards with particular focus on the Tourism industry.

Mandy is a Board Director of the Scottish Institute for Enterprise and has served on a number of other private and public sector Boards and Government and College's Scotland Task Groups, including the recent Government Change Team for College Regionalisation.

Mandy has considerable experience of working on international projects in India, Jordan, South Africa, Kenya, USA and a number of European countries.

#### Memberships

2014/15
Court until 1 November 2014
Knowledge Strategy Committee until 1 November 2014
Policy and Resources Committee until 1 November 2014

#### Lady Susan Rice

Susan Rice, a Chartered Banker, is Managing Director, Lloyds Banking Group Scotland. She was previously Chairman and Chief Executive of Lloyds TSB Scotland, the first woman to head a UK clearing bank.

Susan is a non-executive director of J Sainsbury plc, Big Society Capital and recently stepped down as NED at SSE plc and Bank of England. She sits on

Scotland's First Minister's Council of Economic Advisors, the NCUB, and chairs the Edinburgh International Book Festival, Edinburgh's Festivals Forum and the Patrons of the National Galleries of Scotland. She also chairs Scotland's first Fiscal Commission.

A frequent speaker on the future of financial services, leadership and sustainability, Susan is Vice-Chair of Scotland's 2020 Climate Change Group and has spoken about renewables internationally. She also plays a major role in matters of financial exclusion and economic development, having helped create CDFIs, advised governments and lent her voice to the subject.

She chairs a new UK-wide initiative to create professional standards for bankers, for the first time – the Chartered Banker: Professional Standards Board. She has received honorary degrees from a number of Scottish universities, including Edinburgh. And she is President of Scotland's premier economic and research body, the Scottish Council of Development and Industry, the first woman to be elected.

#### Memberships

2014/15
Court
Audit and Risk Committee
Exception Committee
Nominations Committee
Remuneration Committee (Convener)

#### Ms Angi Lamb Non-Teaching Staff Assessor

Angi Lamb was educated at Lenzie Academy and Madras College, and has an MSc in Industrial Programming Technology from the University of Sheffield (1988).

She has worked in three other universities (St Andrews, York and UCL) in a variety of roles from computer technician to research associate before joining the University in 1990. Her current role is as a Senior Computing Officer in IT Consultancy Services within Information Services with a particular interest in evidence-based service improvement.

Active within the University and College Union (UCU) since 2000, she was elected in 2013 as UCU Scotland Honorary Secretary and has a personal commitment to progressive industrial relations policies such as the TUC partnership principles.

#### Memberships

2013/14	2014/15
Court	Court
	Knowledge Strategy Committee

#### Mr Hugh Murdoch Student Member of Court

Hugh was President of EUSA from 2013–14. Prior to this he studied Politics, graduating in 2013. In addition to his responsibilities on Court, he represented students at the University and Chaired EUSA's Trustees' Board. His priorities for 2013-14 were to ensure EUSA worked more closely with students, and developed a strategic plan for the coming years on a sound financial footing.

## Memberships

2013/14

Court until 8 June 2014

Finance and General Purposes Committee until 8 June 2014

Nominations Committee from 16 September until 8 June 2014

### Ms Kirsty Haigh

Student Member of Court

Kirsty Haigh was educated at George Heriots School in Edinburgh and is currently halfway through her degree in International Relations at Edinburgh. Having been involved in Student Representation since school Kirsty was the Vice-President, Services of the EUSA 2013–14. This role involved looking after the commercial and financial side of the organisation and working on Estates & Buildings and ethical and environmental issues. A member of Abortion Rights and a National Committee member of the National Campaign Against Fees and Cuts, Kirsty is keen on the rights of people and fighting for social justice.

## Memberships

2013/14

Court until 8 June 2014

### Ms Briana Pegado

Student Member of Court

Ms Briana Pegado is EUSA President and is an alumna of the University, who gained a MA Sustainable Development in 2014 and was part of the first cohort of MA Sustainable Development students to graduate from the University of Edinburgh. She was elected President of EUSA in March 2014.

Ms Pegado is a recipient of the Edinburgh Award for her work as a student ambassador. She is former President of Edinburgh University North American Society (EUNAS), one of EUSA's largest student societies, which won EUSA Best New Society in its first year in 2013.

She also received the first ever EUSA Global Student Star Award in her second year for her work launching the University of Edinburgh's Black History Month, improving student engagement on BME and international student issues, and building a stronger network within BME and international groups in the local community.

Ms Pegado was a student member of the University's Chaplaincy Committee for two years and has worked on bringing students together around interfaith understanding and acceptance.

She also has experience working for various organisations in the third sector including the National Education Association Foundation (NEAF) where she helped launched online, distance curricula for teachers union members and supported an NEAF grant project on an urban farm called Growing Power in Milwaukee, Wisconsin. The urban farm specialised in providing healthy food alternatives and education to local state-funded schools as well as combating diabetes and obesity in the local, predominantly African American population. She has also written various pieces on urban farming, the economics of prosperity, Obama's green energy agenda, and the polarisation of American politics.

## Memberships

2013/14

Court from 9 June 2014

Finance and General Purposes

Committee from 9 June 2014

Nominations Committee from 9 June

2014

2014/15

Court until 7 June 2015

Exceptions Committee until 7 June 2015

Knowledge Strategy Committee until 7

June 2015

Nominations Committee until 7 June

2015

Policy and Resources Committee until 7

June 2015

### Ms Tasha Boardman

Student Member of Court

Tasha Boardman is the Vice President Services at EUSA. She is currently half way through her degree at the University of Edinburgh, studying combined honours in French, Spanish and European Union Studies. Tasha's role involves looking after the commercial and financial side of the organisation and working on Estates & Buildings and on ethical and environmental issues. Prior to winning her sabbatical election, Tasha has been actively involved in Student Representation, working in voluntary positions such as LGBT+ Convenor for EUSA and is now a committee member for NUS Scotland LGBT. Tasha is keen on the rights of people and fighting for social justice.

## Memberships

2013/14

Court from 9 June 2014

2014/15

Court until 7 June 2015

# Corporate governance statement

(continued)

## Membership of Court and Committees

		Meetings attended
<b>University Court</b>		
<b>Rector</b>		
Presides at meetings of Court	Mr Peter McColl	6/6
<b>Principal and Vice-Chancellor</b>		
	Professor Sir Timothy O'Shea	5/6
<b>Chancellor's Assessor</b>		
Nominated by Chancellor	Sheriff Principal Edward F Bowen	3/6
<b>General Council Assessors</b>		
Three Assessors elected by General Council for terms of office of four years	Mr Alan Johnston	4/6
	Professor Ann M Smyth	5/6
	Ms Doreen Davidson	6/6
<b>Senatus Academicus Assessors</b>		
Four Assessors elected by the Senate for terms of office of four years	Dr Marialuisa Aliotta	4/6
	Professor Jake Ansell	6/6
	Professor David J Finnegan	6/6
	Professor Anthony Harmar	1/1
	Professor Julie Taylor	2/4
<b>City of Edinburgh Council Assessor</b>		
One Assessor nominated by City of Edinburgh Council	The Rt Hon Donald Wilson	0/6
<b>Co-Opted Members</b>		
Eight appointed by Court for a term of office of three years including the Vice-Convenor (equivalent to Chair of institution)	Professor Stuart Monro	6/6
	(Vice-Convenor of Court)	
	Mr David Bentley	6/6
	Dr Robert Black	4/6
	Mr Peter Budd	3/6
	Dr Chris Masters	4/6
	Mr Les Matheson	3/6
	Mrs Elaine Noad	3/6
	Dr Anne Richards	4/6
<b>Non-Teaching Staff Assessor</b>		
Elected by non-teaching staff for a period of four years	Ms Angi Lamb	6/6
<b>Student members</b>		
Annually nominated by the EUSA from among sabbatical officers	Mr Hugh Murdoch	3/5
	Ms Kirsty Haigh	4/5
	Ms Briana Pegado	1/1
	Ms Tasha Boardman	1/1

		Meetings attended
<b>Audit Committee</b>		
<b>Lay members of Court</b>		
	Dr Anne Richards (Convenor)	4/4
	Mr Peter Budd	3/4
	Mrs Elaine Noad	3/4
	Mr Alan Johnston	2/4
<b>External Members</b>		
Appointed through an open advertisement and interview process	Mr Martin Sinclair	4/4
	Mr Alan Trotter	3/4
<b>Estates Committee</b>		
<b>Ex-officio Members</b>		
Vice-Principal Planning, Resources & Policy Research	Professor Jonathan Seckl (Convenor)	4/4
University Secretary	Ms Sarah Smith	3/4
Director of Corporate Services	Vice-Principal Mr Nigel Paul	4/4
Deputy Secretary, Strategic Planning	Mrs Tracey Slaven	4/4
Director of Estates and Buildings	Mr Angus Currie	3/3
	Mr Gary Jebb	1/1
Director of Finance	Mr Phil McNaull	2/4
<b>Director of Development and Alumni</b>	Ms Kirsty MacDonald	4/4
<b>Vice-Principal Knowledge Management</b>	Professor Jeff Haywood	3/4
<b>Director of Accommodation Services</b>	Mr Richard Kington	4/4
<b>Heads of Colleges (or his/her Nominee)</b>	Mr Hugh Edmiston (MVM)	4/4
	Vice-Principal Professor Dorothy Meill (HSS)	3/4
<b>EUSA Representative</b>	Mr Hugh Murdoch	4/4
<b>Lay Members of Court</b>	Mr David Bentley	4/4
	Mr Peter Budd	2/4
<b>Finance and General Purposes Committee</b>		
<b>Ex-officio Members:</b>		
The Principal (Vice-Convenor of Court)	Professor Sir Timothy O'Shea	5/6
	Professor Stuart Monro (Convenor)	6/6
University Secretary	Ms Sarah Smith	6/6
Director of Finance	Mr Phil McNaull	6/6
<b>Student Member of Court</b>	Mr Hugh Murdoch	4/5
	Ms Briana Pegado	1/1
<b>Vice-Principal</b>		
nominated by Central Management Group	Professor Jonathan Seckl	6/6

Finance and General Purposes Committee (Continued)		Meetings attended
Senate Assessor	Dr Marialuisa Aliotta	4/6
Lay Members of Court	Mr David Bentley	4/6
	Mr Les Matheson	0/6
	Dr Chris Masters	6/6
	Professor Ann Smyth	5/6
<b>Health and Safety Committee</b>		
<b>Ex-Officio Members</b>		
Director of Corporate Services	Vice-Principal 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	1/2
Physician in Charge of the University Health Service	Dr Tim Brown	0/1
Physician in Charge of the University Health Service	Dr Bill Donovan	0/1
Subject Area Representatives	Mrs Ann Diment	1/2
	Mr Tim King	1/2
	Mr Duncan Herd	2/2
	Ms Lesley Pert	2/2
	Mr Gregor Cunningham	1/2
	Mr Derek Burnett	2/2
Trade Union Representatives	Mr Gordon Reid	2/2
	Mr Peter McDonald	1/2
	Mr Neil Kempself	1/2
Management Representatives	Mr Joe Brannigan	2/2
	Ms Maureen Munro	1/2
	Mr Ronnie Millar	1/2
EUSA Representative	Mr Hugh Murdoch	0/2

Investment Committee		Meetings attended
<b>Ex-Officio Members</b>		
Director of Corporate Services	Vice-Principal Mr Nigel Paul	4/4
Convener of Finance and General Purposes Committee	Professor Stuart Monro	4/4
<b>External members</b>		
Five additional members of whom at least three External members appointed through an open advertisement and interview process	Mr Les Matheson	1/4
	Dr Chris Masters	2/3
	Mr Alan McFarlane (Convener)	1/1
	Ms Maxine Cuffe	4/4
	Mr Richard Davidson (Convener)	4/4
	Mr Bill Hughes	4/4
<b>Knowledge Strategy Committee</b>		
<b>Ex-Officio Members</b>		
Vice-Principal Knowledge Management	Vice-Principal Professor Jeff Haywood (Convener)	2/3
Vice-Principal and Director of Corporate Services	Vice-Principal Mr Nigel Paul	1/3
Head of Knowledge Management and Planning	Ms Jo Craiglee	3/3
EUSA Representative	Mr Alex Munyard	0/2
	Mr Dash Sekhar	1/1
Lay Members of Court	Professor Ann Smyth	2/3
	Professor Stuart Monro	1/3
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	2/3
College of Science and Engineering	Professor Arthur Trew	3/3
Deputy Secretary Strategic Planning	Mrs Tracey Slaven	1/3

# Corporate governance statement

(continued)

## Membership of Court and Committees (Continued)

		Meetings attended
<b>Nominations Committee</b>		
<b>Ex-officio Members</b>		
The Principal	Professor Sir Timothy O'Shea	4/4
Vice-Convenor of Court	Professor Stuart Monro (Convenor)	4/4
University Secretary	Ms Sarah Smith	4/4
<b>Senate Assessor</b>	Professor Jake Ansell	3/4
<b>Lay Members of Court</b>		
	Dr Robert Black	3/4
	Mrs Elaine Noad	4/4
	Mr Alan Johnston	2/4
<b>Student Member of Court</b>		
	Mr Hugh Murdoch	3/3
	Ms Briana Pegado	0/0
<b>Remuneration Committee</b>		
<b>Ex-officio Members</b>		
The Principal	Professor Sir Timothy O'Shea	3/3
Vice-Convenor of Court	Professor Stuart Monro (Convenor)	2/3
<b>Lay Members of Court</b>		
	Dr Anne Richards	2/3
	Dr Chris Masters	3/3
	Mr Alan Johnston	1/3
<b>Risk Management Committee</b>		
<b>Ex-officio</b>		
Vice-Principal and Director of Corporate Services	Vice-Principal Mr Nigel Paul (Convenor)	4/4
University Secretary/Deputy Secretary, Student Experience	Ms Sarah Smith	1/1
	Mr Gavin Douglas	3/3
Director of Finance	Mr P McNaul	2/4
Director of Quality Assurance	Assistant Principal Dr Tina Harrison	4/4
<b>Non-ex-officio</b>		
Senior officer nominated from each of the three Colleges	Mr Frank Gribben, College Registrar HSS	2/4
	Mr Hugh Edmiston, College Registrar MVM	4/4
	Dr Bruce Nelson, College Registrar CSE	4/4
Senior officer nominated by Information Services Group	Mr Brian Gilmore, Director of EUCS	3/4
Academic Representative	Professor Jake Ansell	4/4
Lay Member of Court	Dr Robert Black	3/4

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

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

## Our opinion

In our opinion, the financial statements defined below:

- give a true and fair view of the state of the group's and of the parent institution's affairs as at 31 July 2014 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 United Kingdom Generally Accepted Accounting Practice;
- have been properly prepared in accordance with the requirements of the Statement of Recommended Practice – Accounting for Further and Higher Education; and
- have been prepared in accordance with the requirements of the Charities and Trustee Investment (Scotland) Act 2005 and regulation 14 of the Charities Accounts (Scotland) Regulations 2006 (as amended).

This opinion is to be read in the context of what we say in the remainder of this report.

## What we have audited

The group financial statements and parent institution financial statements (the "financial statements"), which are prepared by the University of Edinburgh, comprise:

- the group and parent institution Balance Sheets as at 31 July 2014;
- the group Income and Expenditure Account for the year then ended;
- the group Statement of Total Recognised Gains and Losses for the year then ended;
- the group Statement of Historical Cost Surpluses and Deficits;
- the group Cash Flow Statement for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in their preparation is the Statement of Recommended Practice for Further and Higher Education, incorporating United Kingdom Generally Accepted Accounting Practice.

In applying the financial reporting framework, the Court has made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, it has made assumptions and considered future events.

## What an audit of financial statements involves

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

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

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

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

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

In our opinion, in all material respects:

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

## Other matters on which we are required to report by exception

**Sufficiency of accounting records and information and explanations received**  
Under the Charities Accounts (Scotland) Regulations 2006 (as amended) we are required to report to you if, in our opinion:

- sufficient accounting records have not been kept by the parent institution; or
- the parent institution financial statements are not in agreement with the accounting records and returns; or
- we have not received all the information and explanations we require for our audit.

We have no exceptions to report arising from this responsibility.

## Other information in the Annual Report

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

## Responsibilities for the financial statements and the audit

### Respective responsibilities of the Court and auditors

As explained more fully in the state the name of the Statement of Responsibilities of the Court set out on page 36, the Court (who are also charitable trustees for the purposes of charity law) are responsible for the preparation of financial statements which give a true and fair view.

We have been appointed as auditors under section 44(1)(c) of the Charities and Trustee Investment (Scotland) Act 2005 and report in accordance with regulations made under that Act. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and ISAs (UK & Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

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



## PricewaterhouseCoopers LLP

Chartered Accountants and Statutory Auditors  
Glasgow  
8 December 2014

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

# Group income and expenditure account

For the year ended 31 July 2014

	Note	2014 £'000	2013 £'000
<b>INCOME</b>			
Funding body grants	2	204,116	204,282
Tuition fees and education contracts	3	194,067	174,079
Research grants and contracts	4	215,934	200,123
Other income	5	147,389	141,732
Endowment and investment income	6	19,124	17,570
Total Income		780,630	737,786
<b>EXPENDITURE</b>			
Staff costs	7	409,994	377,265
Other operating expenses	9	299,367	284,765
Depreciation	13	32,292	32,699
Interest and other finance costs	10	5,538	5,604
Total Expenditure		747,191	700,333
<b>SURPLUS ON CONTINUING OPERATIONS AFTER DEPRECIATION OF ASSETS AT VALUATION AND BEFORE TAXATION</b>			
		33,439	37,453
Gain on disposal of fixed assets	13	-	547
<b>SURPLUS AFTER DEPRECIATION OF ASSETS AT VALUATION AND DISPOSAL OF ASSETS BUT BEFORE TAXATION</b>			
		33,439	38,000
Taxation	11	(31)	(5)
<b>SURPLUS ON CONTINUING OPERATIONS AFTER DEPRECIATION OF ASSETS AT VALUATION AND DISPOSAL OF ASSETS AND TAXATION</b>			
		33,408	37,995
Minority interest		(5)	(9)
<b>SURPLUS AFTER DEPRECIATION OF ASSETS AT VALUATION</b>			
		33,403	37,986
(Deficit)/surplus for the year transferred to accumulated income in endowment funds	22	(3,003)	265
<b>SURPLUS FOR THE YEAR RETAINED WITHIN GENERAL RESERVES</b>			
	12	30,400	38,251

# Group statement of historical cost surpluses and deficits

For the year ended 31 July 2014

	Note	2014 £'000	2013 £'000
<b>SURPLUS AFTER DEPRECIATION OF ASSETS AT VALUATION AND BEFORE TAXATION</b>		<b>33,439</b>	37,453
Gain on disposal of fixed assets in the year	13	-	547
Realisation of revaluation gains of previous years	24	-	2,043
Difference between historical cost depreciation and the actual depreciation calculated on the revalued amount:			
On the depreciation charge for the year	24	<b>7,287</b>	7,300
<b>HISTORICAL COST SURPLUS BEFORE TAXATION</b>		<b>40,726</b>	47,343
<b>HISTORICAL COST SURPLUS AFTER TAXATION, MINORITY INTEREST AND TRANSFERS FROM/TO SPECIFIC ENDOWMENT FUNDS</b>		<b>37,687</b>	47,594

# Group statement of total recognised gains and losses

For the year ended 31 July 2014

	Note	2014 £'000	2013 £'000
<b>SURPLUS AFTER DEPRECIATION OF ASSETS AT VALUATION, TAXATION AND MINORITY INTEREST</b>		<b>33,403</b>	37,986
Net diminution in tangible fixed asset – Land & buildings values	13	-	(7,542)
Unrealised surplus on revaluation of tangible fixed assets – Heritage assets	13 & 34	<b>2,700</b>	1,636
Net appreciation on fixed asset investments	14	<b>273</b>	572
Appreciation on endowment asset investments	15	<b>10,236</b>	40,816
New endowments	22	<b>1,544</b>	2,524
Endowments transfer to deferred capital grants	22	<b>(366)</b>	(1,697)
Actuarial (loss)/gain in respect of pension schemes	31	<b>(43,335)</b>	32,683
<b>TOTAL GAIN RECOGNISED DURING THE CURRENT YEAR</b>		<b>4,455</b>	106,978
Reconciliation:			
Opening reserves and endowments at 1 August		<b>1,334,015</b>	1,227,037
Total recognised gains for the year		<b>4,455</b>	106,978
<b>CLOSING RESERVES AND ENDOWMENTS AT 31 JULY</b>		<b>1,338,470</b>	1,334,015

# Balance sheets

as at 31 July 2014

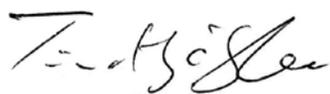
	Note	Group		University	
		2014 £'000	2013 £'000	2014 £'000	2013 £'000
<b>FIXED ASSETS</b>					
Tangible assets	13	<b>1,432,670</b>	1,410,376	<b>1,403,915</b>	1,388,030
Negative goodwill	36	<b>(24,934)</b>	(27,012)	<b>(24,934)</b>	(27,012)
Investments	14	<b>13,379</b>	15,510	<b>37,205</b>	32,129
		<b>1,421,115</b>	1,398,874	<b>1,416,186</b>	1,393,147
<b>ENDOWMENT ASSETS</b>					
	15	<b>297,942</b>	283,525	<b>297,942</b>	283,525
<b>CURRENT ASSETS</b>					
Stocks		<b>2,686</b>	2,464	<b>1,969</b>	1,829
Debtors	16	<b>93,140</b>	98,149	<b>91,384</b>	92,872
Investments	30	<b>306,314</b>	304,641	<b>299,903</b>	290,680
Cash at bank and in hand	30	<b>74,470</b>	45,239	<b>60,697</b>	37,582
		<b>476,610</b>	450,493	<b>453,953</b>	422,963
Less: CREDITORS: Amounts falling due within one year	17	<b>(259,974)</b>	(250,431)	<b>(241,998)</b>	(227,123)
<b>NET CURRENT ASSETS</b>		<b>216,636</b>	200,062	<b>211,955</b>	195,840
TOTAL ASSETS LESS CURRENT LIABILITIES		<b>1,935,693</b>	1,882,461	<b>1,926,083</b>	1,872,512
Less: CREDITORS: Amounts falling due after more than one year	18	<b>(106,521)</b>	(108,579)	<b>(106,421)</b>	(108,479)
Less: PROVISIONS FOR LIABILITIES	20	<b>(9,570)</b>	(9,570)	<b>(9,570)</b>	(9,570)
<b>NET ASSETS EXCLUDING PENSION LIABILITY</b>		<b>1,819,602</b>	1,764,312	<b>1,810,092</b>	1,754,463
NET PENSION LIABILITY	24 & 31	<b>(102,993)</b>	(64,181)	<b>(102,993)</b>	(64,181)
<b>NET ASSETS INCLUDING PENSION LIABILITY</b>		<b>1,716,609</b>	1,700,131	<b>1,707,099</b>	1,690,282

# Balance sheets

as at 31 July 2014

Represented by:	Note	Group		University	
		2014 £'000	2013 £'000	2014 £'000	2013 £'000
DEFERRED CAPITAL GRANTS	21	<b>378,095</b>	366,077	<b>370,595</b>	360,533
<b>ENDOWMENT FUNDS</b>					
Expendable	22	<b>192,644</b>	183,510	<b>192,644</b>	183,510
Permanent	22	<b>105,298</b>	100,015	<b>105,298</b>	100,015
		<b>297,942</b>	283,525	<b>297,942</b>	283,525
<b>RESERVES</b>					
Revaluation reserve	23	<b>693,368</b>	697,682	<b>693,368</b>	697,682
Income and expenditure account excluding pension reserve	24	<b>450,153</b>	416,989	<b>448,187</b>	412,723
Pension reserve	24 & 31	<b>(102,993)</b>	(64,181)	<b>(102,993)</b>	(64,181)
Income and expenditure account including pension reserve		<b>347,160</b>	352,808	<b>345,194</b>	348,542
<b>TOTAL RESERVES</b>		<b>1,040,528</b>	1,050,490	<b>1,038,562</b>	1,046,224
MINORITY INTERESTS		<b>44</b>	39	-	-
<b>TOTAL FUNDS</b>		<b>1,716,609</b>	1,700,131	<b>1,707,099</b>	1,690,282

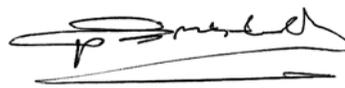
The financial statements on pages 50 to 89 were adopted by Court on 08 December 2014 and were signed on its behalf by:



**Professor Sir Timothy O'Shea**  
Principal and Vice-Chancellor



**Dr Anne Richards**  
Member of the University Court



**Phil McNaull**  
Director of Finance

# Group cash flow statement

For the year ended 31 July 2014

	Note	2014 £'000	2013 £'000
NET CASH INFLOW FROM OPERATING ACTIVITIES	25	<b>52,566</b>	48,122
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE	26	<b>9,381</b>	11,388
TAXATION	11	<b>(31)</b>	(5)
CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT	27	<b>(28,637)</b>	(30,527)
MANAGEMENT OF LIQUID RESOURCES	28	<b>(1,673)</b>	5,190
FINANCING	29	<b>(1,491)</b>	(1,331)
<b>INCREASE IN CASH IN THE YEAR</b>		<b>30,115</b>	32,837
RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET FUNDS			
Increase in cash in the year		<b>30,115</b>	32,837
Cash inflow/(outflow) from increase in liquid resources	28	<b>1,673</b>	(5,190)
Change in net debt resulting from cash flows	29	<b>1,491</b>	1,331
Movement in net funds for the year	30	<b>33,279</b>	28,978
Net funds at start of year	30	<b>243,113</b>	214,135
<b>NET FUNDS AT CLOSE OF YEAR</b>	30	<b>276,392</b>	243,113

# Notes to the financial statements

For the year ended 31 July 2014

## 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, heritage assets, 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 Edinburgh University Students' Association (EUSA) 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 mergers were 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, negative goodwill, 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.

# Notes to the financial statements

## (continued)

### 1. STATEMENT OF PRINCIPAL ACCOUNTING POLICIES (continued)

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.

Additions since 1 August 2012, including buildings under construction are shown at cost less accumulated depreciation, provided this does not exceed replacement cost. 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.

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

#### Equipment

Equipment, including computers and software, costing less than £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.

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 10-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 and subsequently revalued, or in the case of donated assets at expert valuation on receipt. The carrying value is reviewed annually and revalued where required. 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 and negative 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 arises where the fair value of the net assets acquired exceeds that of the consideration. Negative goodwill relating to the monetary assets is released to the income and expenditure account in the period the monetary assets are realised. Negative goodwill relating to non-monetary assets is released to the income and expenditure account as those assets are recovered through depreciation, impairment or sale.

#### Acquisition with the aid of specific grants

Where equipment is purchased or buildings are constructed or acquired with the aid of specific grants, the assets are capitalised and depreciated in accordance with the above policies. The grants are treated as deferred capital grants and released to income over the expected useful life of the related equipment or building asset.

#### 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:

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

# Notes to the financial statements

## (continued)

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.

### 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 Employment 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 for Universities (FSSU), and the National Employment 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)



Income received by the Group falls into two broad categories, income that can be applied at the discretion of the University to any of its activities e.g. Funding Council Grants, and income which is for specific purposes. Income is accrued for and recognised in the Income and Expenditure Account in the period to which it relates. Notes 2-6 disclose the income sources for the University. Notes 7-11 disclose how the funds were spent.

### 2. FUNDING BODY GRANTS

	2014 £'000	2013 £'000
<b>Recurrent grant</b>		
Teaching	76,316	80,621
Research	100,446	93,439
<b>Specific grants</b>		
Information systems	5,563	6,080
Infrastructure grants for research, teaching and learning	2,954	7,494
Other including research pooling	14,577	12,522
<b>Deferred capital grants released in year</b>		
Buildings (note 21)	3,383	3,363
Equipment (note 21)	877	763
	<b>204,116</b>	204,282

### 3. TUITION FEES AND EDUCATION CONTRACTS

	2014 £'000	2013 £'000
Non-EU fees	100,906	93,435
Undergraduate students at Home & EU rate	26,166	26,919
Postgraduate and other tuition fees	23,426	23,820
RUK (new fee rate)	25,130	13,405
Research training support grants	14,586	13,105
Short course and other fees and support grants	3,853	3,395
	<b>194,067</b>	174,079

### 4. RESEARCH GRANTS AND CONTRACTS

	2014 £'000	2013 £'000
Research councils	109,101	97,054
UK based charities	43,178	43,335
UK central government bodies, local and health authorities	17,903	17,346
UK industry, commerce and public corporations	5,413	8,733
EU government bodies	24,325	23,383
EU other	2,071	1,614
Other overseas	6,714	5,011
Other sources	7,229	3,647
	<b>215,934</b>	200,123

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 £13,176,000 (2013: £12,611,000) has been deferred (see note 21) to match expenditure on buildings and plant that have been capitalised.

Research income of £3,381,000 (2013: £3,601,000) 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 £8,751,000 (2013: £7,914,000) comprising releases on building grants of £2,625,000 (2013: £1,489,000) and equipment grants of £6,126,000 (2013: £6,425,000).

# Notes to the financial statements

(continued)

## 5. OTHER INCOME

	2014 £'000	2013 £'000
Residences, catering and conferences	50,170	48,183
<b>Specific grants, donations and other designated income</b>		
Academic and related activities	26,397	27,298
Academic services and support activities	8,802	6,986
<b>General income</b>		
Academic and related activities	30,460	28,924
Income generating, academic services and support activities	27,137	25,931
<b>Released from deferred capital grants</b>		
Buildings (note 21)	1,037	1,261
Equipment (note 21)	1,308	1,798
Benefit on acquisition (goodwill amortised)	2,078	1,351
	<b>147,389</b>	141,732

## 6. ENDOWMENT AND INVESTMENT INCOME

	2014 £'000	2013 £'000
Income from expendable endowments (note 22)	6,689	5,358
Income from permanent endowments (note 22)	3,727	2,925
Other investment income	270	485
Other interest receivable	3,938	6,190
Net return on pension scheme assets (note 31)	4,500	2,612
	<b>19,124</b>	17,570

# Notes to the financial statements

## (continued)

### 7. STAFF COSTS

	2014	2013
<b>Staff numbers (expressed as full time equivalents* as at 31 July) were as follows :</b>		
Academic and related support	<b>4,323</b>	4,032
Research grants and contracts	<b>1,921</b>	1,807
Library, computer and other academic support services	<b>646</b>	581
Administration and central services	<b>687</b>	650
Premises	<b>706</b>	693
Other including income generating operations	<b>161</b>	142
Residences and catering operations	<b>494</b>	437
	<b>8,938</b>	8,342

\*excludes staff employed for a specified period over which a minimum guaranteed hours of employment has been offered.

	2014	2013
<b>Staff numbers (expressed as an employee count) were as follows:</b>		
Staff on open ended contracts	<b>7,327</b>	6,993
Staff on fixed term contracts	<b>2,581</b>	2,325
Staff on guaranteed hours*	<b>3,003</b>	3,409
	<b>12,911</b>	12,727
Percentage of employees on fixed term contracts	<b>19.99%</b>	25.06%

	2014 £'000	2013 £'000
<b>Analysis of the cost of the above staff by activity:</b>		
Academic and related support	<b>226,552</b>	206,403
Research grants and contracts	<b>93,075</b>	86,547
Library, computer and other academic support services	<b>24,703</b>	23,740
Administration and central services	<b>28,595</b>	26,662
Premises	<b>18,117</b>	17,302
Other including income generating operations	<b>6,546</b>	5,963
Residences and catering operations	<b>11,513</b>	11,041
Unfunded pensions	<b>916</b>	(595)
Pension costs less employer contributions payable (note 31)	<b>(23)</b>	202
	<b>409,994</b>	377,265
<b>Analysis of the above staff cost by type:</b>		
Salaries and wages	<b>312,836</b>	291,214
Social security costs	<b>25,528</b>	21,716
Other pension costs (note 31)	<b>68,886</b>	63,180
Severance costs	<b>1,828</b>	1,750
Unfunded pensions	<b>916</b>	(595)
	<b>409,994</b>	377,265

# Notes to the financial statements

## (continued)

### 8. SENIOR POST HOLDERS

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

	2014 Number	2013 Number
£70,000–£79,999	125	115
£80,000–£89,999	78	68
£90,000–£99,999	60	58
£100,000–£109,999	47	36
£110,000–£119,999	25	23
£120,000–£129,999	23	15
£130,000–£139,999	11	14
£140,000–£149,999	11	12
£150,000–£159,999	10	6
£160,000–£169,999	11	9
£170,000–£179,999	13	14
£180,000–£189,999	4	3
£190,000–£199,999	5	5
£200,000–£209,999	7	3
£210,000–£219,999	2	2
£220,000–£229,999	1	-
£230,000–£239,999	4	3
£240,000–£249,999	1	2
£250,000–£259,999	1	-
£260,000–£269,999	-	2
£310,000–£319,999	1	-
£340,000–£349,999	1	-
	<b>441</b>	390

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

61% of senior post holders are non clinical, 39% are clinical academics.

#### Emoluments of the Principal

	2014 £'000	2013 £'000
Remuneration	227	227
Benefits in kind	2	2
	<b>229</b>	229
Employee's pension contributions	18	18
	<b>247</b>	247
Employer's pension contributions	39	39
	<b>286</b>	286

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 was one payment for compensation for loss of office exceeding £100,000 during the year (2013: nil). Compensation arrangements applied to six senior members of staff (2013: three staff) earning in excess of £70,000.

	2014 £'000	2013 £'000
Payments to USS for enhanced pension benefits	157	-
Other payments in respect of loss of office	99	135
	<b>256</b>	135

Severance pay was in accordance with the Remuneration Committee Policy.

### 9. OTHER OPERATING EXPENSES

	2014 £'000	2013 £'000
Academic and related expenditure	75,531	68,119
Research grants and contracts	83,907	75,774
Library, computer and other academic support services	13,156	14,803
Administration and central services	24,591	22,696
Premises – Refurbishment and maintenance	32,535	28,703
– Utility costs	17,608	19,614
– Other premises costs	9,757	12,768
Other including income generating operations	13,134	14,094
Residences and catering operations	29,148	28,194
	<b>299,367</b>	284,765
<b>Other operating expenses include:</b>		
Operating lease rentals	11,594	4,536
<b>Fees charged by external auditors:</b>		
Audit of these financial statements	71	67
Audit of financial statements of subsidiaries pursuant to legislation incl Andrew Grant Bequest	53	55
Taxation services	-	5
Non-audit services	-	151

### 10. INTEREST PAYABLE AND OTHER FINANCIAL COSTS

	2014 £'000	2013 £'000
Bank and other loans	5,371	5,393
Finance leases	167	211
	<b>5,538</b>	5,604

# Notes to the financial statements

(continued)

## 11. TAXATION

	2014 £'000	2013 £'000
UK corporation tax charge on subsidiaries' profits	31	5

## 12. SURPLUS FOR THE YEAR

	2014 £'000	2013 £'000
The Group surplus for the year is made up as follows:		
University's surplus for the year excluding surpluses paid under gift aid to the University by subsidiaries	26,151	33,956
Surplus generated by subsidiary undertakings	4,249	4,295
<b>Total</b>	<b>30,400</b>	<b>38,251</b>

## 13. TANGIBLE ASSETS

Group	Land and buildings £'000	Equipment £'000	Heritage assets £'000	Total £'000
<b>Cost or valuation</b>				
As at 31 July 2013	1,228,187	124,446	171,158	<b>1,523,791</b>
Revaluation	-	-	2,700	<b>2,700</b>
Additions at cost	39,909	11,077	1,300	<b>52,286</b>
Disposals	(400)	-	-	<b>(400)</b>
As at 31 July 2014	1,267,696	135,523	175,158	<b>1,578,377</b>
<b>Depreciation</b>				
Depreciation as at 31 July 2013	17,918	95,497	-	<b>113,415</b>
Charge for the year	18,577	13,715	-	<b>32,292</b>
Disposals	-	-	-	<b>-</b>
As at 31 July 2014	36,495	109,212	-	<b>145,707</b>
<b>Net book value</b>				
As at 31 July 2014	1,231,201	26,311	175,158	<b>1,432,670</b>
As at 31 July 2013	1,210,269	28,949	171,158	<b>1,410,376</b>

At 31 July 2014 land and buildings included £23,891,000 (2013: £22,885,000) in respect of buildings under construction.

During the year, subsidiaries of the University continued construction on the Deaconess House residence development and completed the FloWave Test Tank and Holyrood Combined Heat and Power facilities.

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

# Notes to the financial statements

## (continued)

### 13. TANGIBLE ASSETS (CONTINUED)

#### Group

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 were not included in the valuation they are stated at cost above.

There were no gains or losses on disposals of land and building fixed assets during the year (2013: £547,000).

Land and Buildings with a net book value of £180,635,000 (2013: £177,961,000) 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
<b>Cost or valuation</b>				
As at 31 July 2013	1,211,534	108,612	171,158	<b>1,491,304</b>
Revaluation	-	-	2,700	<b>2,700</b>
Additions at cost	34,844	9,068	1,300	<b>45,212</b>
Disposals	(400)	-	-	<b>(400)</b>
As at 31 July 2014	1,245,978	117,680	175,158	<b>1,538,816</b>
<b>Depreciation</b>				
As at 31 July 2013	17,918	85,356	-	<b>103,274</b>
Charge for the year	18,564	13,063	-	<b>31,627</b>
Disposals	-	-	-	<b>-</b>
As at 31 July 2014	36,482	98,419	-	<b>134,901</b>
<b>Net book value</b>				
As at 31 July 2014	1,209,496	19,261	175,158	<b>1,403,915</b>
As at 31 July 2013	1,193,616	23,256	171,158	<b>1,388,030</b>

At 31 July 2014 land and buildings included £14,879,000 (2013: £7,332,000) in respect of buildings under construction.

During the year constructions was completed on the Edinburgh Centre for Carbon Innovation, on the first of two avian research buildings at the Easter Bush campus and on a new purpose built University Nursery.

# Notes to the financial statements

## (continued)

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

The net book value of tangible fixed assets includes an amount of £2,204,698 (2013: £2,240,144) of buildings fixtures and fittings held under finance leases. The depreciation charge on these assets for the year was £35,446 (2013: £28,356).

### Net Book value historical cost equivalent

	Group		University	
	2014 £'000	2013 £'000	2014 £'000	2013 £'000
Land and buildings	<b>764,727</b>	736,508	<b>744,490</b>	721,323
Equipment	<b>26,311</b>	28,949	<b>19,261</b>	23,256
Heritage assets	<b>4,061</b>	2,761	<b>4,061</b>	2,761
	<b>795,099</b>	768,218	<b>767,812</b>	747,340

### The group depreciation charge has been matched by:

	Group	
	2014 £'000	2013 £'000
Deferred capital grant released (note 21)	<b>15,356</b>	15,099
Revaluation reserve transferred to general reserves (note 23)	<b>7,287</b>	7,300
Earnings in subsidiaries	<b>665</b>	1,316
General income	<b>8,984</b>	8,984
	<b>32,292</b>	32,699

# Notes to the financial statements

(continued)

## 14. FIXED ASSET INVESTMENTS

	Group		University	
	2014 £'000	2013 £'000	2014 £'000	2013 £'000
<b>Movements in the year</b>				
<b>University General Reserve Fund</b>				
Balance at 1 August	14,865	16,140	14,865	16,140
Disposals	(2,712)	(3,876)	(2,712)	(3,876)
Reversal of prior depreciation	-	2,029	-	2,029
Net appreciation (note 23)	273	572	273	572
Balance at 31 July	12,426	14,865	12,426	14,865
<b>University General Fund</b>				
Balance at 1 August	-	3,818	-	3,818
Reclassified as endowment	-	(3,818)	-	(3,818)
Restated balance	-	-	-	-
<b>Other investments</b>				
Balance at 1 August	645	676	17,264	1,149
Additions	366	274	-	4,095
Depreciation	-	(250)	-	-
Loans (repaid)/advanced	(58)	(55)	7,515	12,020
Balance at 31 July	953	645	24,779	17,264
Total investments within fixed assets	13,379	15,510	37,205	32,129
<b>Represented by:</b>				
Investment in subsidiary companies at cost	-	-	4,451	4,451
Loans to subsidiary companies	-	-	20,058	12,485
Fixed interest stocks	1,395	4,078	1,395	4,078
Equities	10,902	10,743	10,902	10,743
Bank deposits	129	44	129	44
Other investments	953	645	270	328
Total investments within fixed assets	13,379	15,510	37,205	32,129
Investments at cost	13,112	14,002	36,360	30,359

# Notes to the financial statements

## (continued)

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

### 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 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.

### North American Office - University of Edinburgh incorporated

This is registered in the United States under the laws of the State of Delaware since 1982. The main purpose of this company is to support the University's business in North America.

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

(continued)

## 15. ENDOWMENT ASSETS

	Group and University	
	2014 £'000	2013 £'000
As at 1 August	<b>283,525</b>	238,329
Transferred from general fund	-	3,818
New endowment investment (note 27)	<b>4,192</b>	3,967
Disposal of endowment investment	<b>(1,395)</b>	(4,435)
Increase in market value of investments (note 22)	<b>10,236</b>	40,816
Increase in cash balances held by fund manager	<b>155</b>	17
Increase/(decrease) in cash balances held by the University and Development Trust	<b>884</b>	(29)
Increase in working capital	<b>345</b>	1,042
As at 31 July	<b>297,942</b>	283,525
<b>Represented by:</b>		
Equities – other	<b>186,393</b>	182,926
Fixed interest stocks	<b>60,044</b>	57,061
Property	<b>42,053</b>	31,814
Bank deposits held at fund managers	<b>1,258</b>	877
Bank deposits held by the University	<b>2,059</b>	5,941
Cash Balances held by the University and Development Trust (note 30)	<b>3,563</b>	2,679
Working capital	<b>2,572</b>	2,227
Total endowment assets	<b>297,942</b>	283,525
Endowment Assets – at cost	<b>248,789</b>	243,028



The value of endowment assets on the face of the balance sheet is equal to the total value of endowment funds (note 22) (both permanent and expendable) shown in reserves, so as to demonstrate the matching of assets and funds.

# Notes to the financial statements

(continued)

## 16. DEBTORS

	Group		University	
	2014 £'000	2013 £'000	2014 £'000	2013 £'000
<b>Amounts falling due within one year</b>				
Debtors	76,597	81,931	71,345	75,550
Amounts owing from subsidiary companies	-	-	4,079	3,632
Prepayments and accrued income	16,543	16,218	15,960	13,690
	<b>93,140</b>	<b>98,149</b>	<b>91,384</b>	<b>92,872</b>

## 17. CREDITORS: due within one year

	Group		University	
	2014 £'000	2013 £'000	2014 £'000	2013 £'000
<b>Amounts falling due within one year</b>				
Unsecured loans (note 19)	1,905	1,351	1,905	1,351
Finance lease (note 19)	141	128	141	128
Creditors	40,010	34,084	37,405	30,593
Social security and other taxation payable	9,408	8,493	9,380	8,477
Accruals and deferred income	208,510	206,375	193,167	186,574
	<b>259,974</b>	<b>250,431</b>	<b>241,998</b>	<b>227,123</b>

## 18. CREDITORS: due after one year

	Group		University	
	2014 £'000	2013 £'000	2014 £'000	2013 £'000
<b>Amounts falling due after more than one year</b>				
Bank loans (note 19)	104,522	106,438	104,522	106,438
Obligations under finance leases (note 19)	1,387	1,529	1,387	1,529
Other creditors	612	612	512	512
	<b>106,521</b>	<b>108,579</b>	<b>106,421</b>	<b>108,479</b>

# Notes to the financial statements

## (continued)

### 19. BORROWINGS

	Group and University	
	2014 £'000	2013 £'000
<b>Bank loans</b>		
Bank loans are repayable as follows:		
In one year or less	1,905	1,351
Between two and five years	20,243	19,486
In five years or more	84,279	86,952
	<b>106,427</b>	107,789
Less: falling due within one year (note 17)	<b>(1,905)</b>	(1,351)
Total bank loans (note 18)	<b>104,522</b>	106,438

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

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

- £10,000,000 at a fixed rate of 6.99% per annum, repayable in 2015;
- £30,000,000 at a fixed rate of 6.98% per annum, 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.

	2014	2013
	£'000	£'000
<b>Finance leases</b>		
Obligations under finance leases due as follows:		
In one year	141	128
Between two and five years	823	627
After five years	564	902
	<b>1,528</b>	1,657

### 20. PROVISIONS FOR LIABILITIES AND CHARGES

	Group and University	
	2014 £'000	2013 £'000
<b>Unfunded pensions</b>		
As at 1 August	9,570	11,005
Utilised in year	<b>(811)</b>	(840)
Transfer from income and expenditure account	811	(595)
As at 31 July	<b>9,570</b>	9,570

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

(continued)

## 21. DEFERRED CAPITAL GRANTS

Group	Funding council £'000	Other grants & benefactions £'000	Research income £'000	Total £'000
As at 1 August				
Buildings	177,961	62,613	108,458	<b>349,032</b>
Equipment	922	4,872	11,251	<b>17,045</b>
	178,883	67,485	119,709	<b>366,077</b>
Transfer from endowment	-	-	366	<b>366</b>
Cash receivable				
Buildings	6,057	364	13,176	<b>19,597</b>
Equipment	823	3,207	3,381	<b>7,411</b>
	6,880	3,571	16,557	<b>27,008</b>
Released to income and expenditure account				
Buildings	(3,383)	(1,037)	(2,625)	<b>(7,045)</b>
Equipment	(877)	(1,308)	(6,126)	<b>(8,311)</b>
	(4,260)	(2,345)	(8,751)	<b>(15,356)</b>
As at 31 July				
Buildings	180,635	61,940	119,375	<b>361,950</b>
Equipment	868	6,771	8,506	<b>16,145</b>
	181,503	68,711	127,881	<b>378,095</b>



Deferred Capital Grants – grants are deferred when assets purchased with them have been capitalised. The deferred capital grant related to an asset is included in the balance sheet and released to the income and expenditure account over the life of that asset.

# Notes to the financial statements

(continued)

## 21. DEFERRED CAPITAL GRANTS

University	Funding council £'000	Other grants & benefactions £'000	Research income £'000	<b>Total £'000</b>
As at 1 August				
Buildings	177,961	60,138	108,458	<b>346,557</b>
Equipment	922	1,803	11,251	<b>13,976</b>
	178,883	61,941	119,709	<b>360,533</b>
Transfer from endowment	-	-	366	<b>366</b>
Cash receivable				
Buildings	6,057	193	13,176	<b>19,426</b>
Equipment	823	1,153	3,381	<b>5,357</b>
	6,880	1,346	16,557	<b>24,783</b>
Released to income and expenditure account				
Buildings	(3,383)	(1,037)	(2,625)	<b>(7,045)</b>
Equipment	(877)	(1,039)	(6,126)	<b>(8,042)</b>
	(4,260)	(2,076)	(8,751)	<b>(15,087)</b>
As at 31 July				
Buildings	180,635	59,294	119,375	<b>359,304</b>
Equipment	868	1,917	8,506	<b>11,291</b>
	181,503	61,211	127,881	<b>370,595</b>

# Notes to the financial statements

## (continued)



An endowment fund is a form of charitable trust which is retained for the benefit of the Group where the terms of the endowment require the income and/or the capital of the funds to be used for a specific purpose. Endowment funds can be sub-divided into their capital element and an accumulated income fund.

### 22. ENDOWMENT FUNDS

	Group and University					
	Unrestricted permanent £'000	Restricted permanent £'000	Total permanent £'000	Restricted expendable £'000	2014 Total £'000	2013 Total £'000
Capital	4,473	85,687	<b>90,160</b>	<b>157,990</b>	<b>248,150</b>	209,209
Accumulated income	-	9,855	<b>9,855</b>	<b>25,520</b>	<b>35,375</b>	29,120
At 1 August	4,473	95,542	<b>100,015</b>	<b>183,510</b>	<b>283,525</b>	238,329
Transferred from general fund	-	-	-	-	-	3,818
New endowments	-	280	<b>280</b>	<b>1,264</b>	<b>1,544</b>	2,524
Appreciation of endowment investments	166	3,498	<b>3,664</b>	<b>6,572</b>	<b>10,236</b>	40,816
Investment income for the year (note 6)	166	3,561	<b>3,727</b>	<b>6,689</b>	<b>10,416</b>	8,283
Expenditure for the year	(166)	(2,222)	<b>(2,388)</b>	<b>(5,025)</b>	<b>(7,413)</b>	(8,548)
Transferred to deferred capital grants	-	-	-	<b>(366)</b>	<b>(366)</b>	(1,697)
As at 31 July	4,639	100,659	<b>105,298</b>	<b>192,644</b>	<b>297,942</b>	283,525
Represented by:						
Capital	4,639	89,136	<b>93,775</b>	<b>164,341</b>	<b>258,116</b>	248,150
Accumulated income	-	11,523	<b>11,523</b>	<b>28,303</b>	<b>39,826</b>	35,375
	4,639	100,659	<b>105,298</b>	<b>192,644</b>	<b>297,942</b>	283,525

### 23. REVALUATION RESERVE

	Group and University	
	2014 £'000	2013 £'000
As at 1 August	<b>697,682</b>	714,883
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)	<b>273</b>	572
Revaluation of tangible assets during the year – Heritage Assets (note 34)	<b>2,700</b>	1,636
Transfer to general reserve - depreciation on revalued assets (note 24)	<b>(7,287)</b>	(7,300)
Disposals in the year (note 24)	-	(2,043)
As at 31 July	<b>693,368</b>	697,682



The revaluation reserve holds the total of unrealised amounts arising from the revaluation of the Group tangible fixed assets shown in note 13.

# Notes to the financial statements

(continued)

## 24. MOVEMENT ON RESERVES

	Group		University	
	2014 £'000	2013 £'000	2014 £'000	2013 £'000
<b>GENERAL RESERVE INCLUDING PENSION LIABILITY</b>				
At 1 August	<b>352,808</b>	273,825	<b>348,542</b>	270,294
Reclassified to permanent unrestricted endowment	-	(1,294)	-	(1,294)
Surplus attributable to the year	<b>30,400</b>	38,251	<b>32,700</b>	37,516
Depreciation on revalued assets (note 23)	<b>7,287</b>	7,300	<b>7,287</b>	7,300
Realisation of revaluation gains of previous years	-	2,043	-	2,043
Pension actuarial (loss)/gain	<b>(43,335)</b>	32,683	<b>(43,335)</b>	32,683
Balance at 31 July	<b>347,160</b>	352,808	<b>345,194</b>	348,542
<b>Represented by</b>				
<b>INCOME AND EXPENDITURE ACCOUNT</b>				
At 1 August	<b>416,989</b>	373,099	<b>412,723</b>	369,568
Reclassified to permanent unrestricted endowment	-	(1,294)	-	(1,294)
Surplus attributable to the year	<b>30,400</b>	38,251	<b>32,700</b>	37,516
Transfer from pension reserve	<b>(4,523)</b>	(2,410)	<b>(4,523)</b>	(2,410)
Transfer from revaluation reserve	<b>7,287</b>	9,343	<b>7,287</b>	9,343
Balance at 31 July	<b>450,153</b>	416,989	<b>448,187</b>	412,723
<b>Group and University</b>				
<b>2014 2013</b>				
<b>£'000 £'000</b>				
<b>PENSION RESERVE</b>				
At 1 August			<b>(64,181)</b>	(99,274)
Current service cost			<b>(12,460)</b>	(12,147)
Past service cost on settlement*			<b>(52)</b>	(870)
Employer contributions			<b>12,468</b>	12,741
Contributions in respect of unfunded benefits			<b>67</b>	74
Net finance income on assets (notes 6 & 10)			<b>4,500</b>	2,612
Transfer from income and expenditure account			<b>4,523</b>	2,410
Actuarial (loss)/gain (note 31)			<b>(43,335)</b>	32,683
At 31 July 2014			<b>(102,993)</b>	(64,181)

\* 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 in 2012–13.

# Notes to the financial statements

(continued)

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

	Group	
	2014 £'000	2013 £'000
Surplus before tax and minority interest	33,439	38,000
Pension service cost in excess of contributions payable (note 31)	(23)	202
Depreciation (note 13)	32,292	32,699
Release of negative goodwill (note 36)	(2,078)	(1,351)
(Increase)/diminution of fixed asset investment: (note 14)	-	(1,779)
Deferred capital grants released to income (note 21)	(15,356)	(16,170)
Loss on disposal of fixed assets	-	(547)
Bank, other loan & finance lease interest payable (note 10)	5,538	5,604
(Increase)/decrease in stocks	(222)	138
Decrease/(increase) in debtors	4,570	(9,402)
Increase in accruals and deferred income	7,011	14,424
Increase in creditors	6,519	5,309
Increase/(decrease) in provisions (note 20)	-	(1,435)
Endowment income (note 22)	(10,416)	(8,283)
Other investment income (note 6)	(270)	(485)
Interest receivable (note 6)	(3,938)	(6,190)
Net finance income on pension scheme assets (note 6)	(4,500)	(2,612)
<b>NET CASH INFLOW FROM OPERATING ACTIVITIES</b>	<b>52,566</b>	<b>48,122</b>



Notes 25–30 relate to the cash flows from the Group's operating activities.

## 26. RETURN ON INVESTMENT AND SERVICING OF FINANCE

	2014 £'000	2013 £'000
Endowment funds dividends and interest received	10,238	7,280
Other investment income	270	485
Net return on pension scheme assets	-	2,612
Interest received	4,377	6,526
Interest paid	(5,337)	(5,304)
Finance lease interest paid	(167)	(211)
<b>NET CASH INFLOW FROM RETURNS ON INVESTMENT AND SERVICING OF FINANCE</b>	<b>9,381</b>	<b>11,388</b>

# Notes to the financial statements

(continued)

## 27. CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT

	2014 £'000	2013 £'000
<b>Capital investment</b>		
Purchases of tangible assets	<b>(52,688)</b>	(64,425)
Proceeds from sale of fixed assets	<b>400</b>	1,303
Deferred capital grants received – funding councils	<b>7,628</b>	7,806
Deferred capital grants received – research and other sponsors	<b>14,872</b>	18,140
	<b>(29,788)</b>	(37,176)
<b>Financial investment</b>		
Purchase of investments (note 14)	<b>(308)</b>	(219)
Proceeds from the sale of investments (note 14)	<b>2,712</b>	3,876
Purchase of endowment investment assets (note 15)	<b>(4,192)</b>	(3,967)
Disposal of endowment investment assets (note 15)	<b>1,395</b>	4,435
New endowments received (note 22)	<b>1,544</b>	2,524
	<b>1,151</b>	6,649
<b>NET CASH OUTFLOW FROM CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT</b>	<b>(28,637)</b>	(30,527)

## 28. MANAGEMENT OF LIQUID RESOURCES

	2014 £'000	2013 £'000
(Decrease)/increase in deposits	<b>(1,673)</b>	5,190
<b>NET CASH (OUTFLOW)/INFLOW FROM THE MANAGEMENT OF LIQUID RESOURCES</b>	<b>(1,673)</b>	5,190

## 29. FINANCING

	2014 £'000	2013 £'000
New loan	<b>-</b>	80
Loan repayments	<b>(1,362)</b>	(1,294)
Capital repayment of finance lease obligations	<b>(129)</b>	(117)
<b>NET CASH OUTFLOW FROM FINANCING</b>	<b>(1,491)</b>	(1,331)

# Notes to the financial statements

(continued)

## 30. ANALYSIS OF NET FUNDS

	As at 1 August 2013 £'000	Cash flows £'000	Other changes £'000	As at 31 July 2014 £'000
Cash in hand and at bank	45,239	29,231	-	<b>74,470</b>
Endowment assets: Cash balance held by University and Development Trust (note 15)	2,679	884	-	<b>3,563</b>
Total cash in hand and at bank	47,918	30,115	-	<b>78,033</b>
Debt due within 1 year	(1,351)	1,351	(1,905)	<b>(1,905)</b>
Debt due after 1 year	(106,438)	11	1,905	<b>(104,522)</b>
Finance leases	(1,657)	129	-	<b>(1,528)</b>
Current asset investments:				
Bank deposits	304,641	1,673	-	<b>306,314</b>
<b>TOTAL FUNDS</b>	<b>243,113</b>	<b>33,279</b>	<b>-</b>	<b>276,392</b>

# Notes to the financial statements

## (continued)

### 31. PENSION FUNDS

#### University pension schemes

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

The USS, STSS and MRCPS are multi-employer schemes and it is not possible to identify the University's share of the assets for these schemes on a consistent basis. These schemes are accounted for as though they were defined contribution schemes and as a result the costs charged to the income and expenditure account shown below reflect the contributions in year rather than a share of any deficit or surplus in these schemes is included in these accounts. The EUSBS, SPF and LPF schemes are accounted for under Financial Reporting Standard 17 (FRS 17) and the costs charged to the income and expenditure account shown below reflect the service cost calculated under FRS 17. The full disclosure of the University pension assets and liabilities under FRS 17 is included at the end of this note.

#### Scheme participation and pension costs

Pension scheme	Employer contribution rate at 31 July 2014	Employee contribution rate at 31 July 2014	Active members at 31 July 2014	Pension costs year to 31 July 2014 £'000	Pension costs year to 31 July 2013 £'000
<b>Defined contribution treatment</b>					
		7.5% Final salary			
		6.5% Career revalued benefit			
USS	16%		6,919	54,555	48,252
STSS	14.90%	6.4% to 11.2%	90	539	560
MRCPS	14.90%	5.25% to 6.5%	92	265	812
NEST	3%	1%	879	431	150
Other: NHS and subsidiaries	13.5	5% to 13.3%	59	584	389
Sub-total: contributions in the year			8,039	56,374	50,163
<b>Accounted for under FRS 17</b>					
EUSBS	20.30%	7.50%	2,223	12,100	11,700
SPF	21.3% + 306K	5.5% to 11.2%	36	251	256
LPF (Including past service cost)	17.3% + 124K	5.5% to 11.2%	35	161	1,061
Sub-total: Service cost per FRS 17 disclosures below			2,294	12,512	13,017
Total cost (note 7)				68,886	63,180

# Notes to the financial statements

## (continued)

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	6.10%	4.4%(2)	3.4%(3)	23.7	25.6	25.5	27.6
STSS	4.90%	2% above real rate of return	-	27.5	29.5	28	30
<b>FRS 17 assumptions</b>							
EUSBS	4.10%	3.25%(4)	2.50%	21.2	23.4	22.5	24.9
SPF	4.10%	3.25%	2.50%	21	23.4	23.3	25.3
LPF	4.10%	3.25%	2.50%	20.4	22.8	22.6	25.4

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

### The Universities Superannuation Scheme (USS)

The Universities Superannuation Scheme (USS) is a defined benefit scheme which is contracted out of the State Second Pension (S2P). The assets of the scheme are held in a separate trustee-administered fund. Because of the mutual nature of the scheme, assets are not hypothecated to individual institutions and a scheme-wide contribution rate is set. The institution is thus exposed to actuarial risks associated with other institutions' employees and is unable to identify its share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis and therefore, as required by FRS 17 "Retirement benefits", accounts for the scheme as if it were a defined contribution scheme. As a result, the amount charged to the income and expenditure account represents the contributions payable to the scheme in respect of the accounting period.

The latest triennial actuarial valuation of the scheme was at 31 March 2011. This was the second valuation for USS under the scheme-specific funding regime introduced by the Pensions Act 2004, which requires schemes to adopt a statutory funding objective, which is to have sufficient and appropriate assets to cover their technical provisions. The actuary also carries out regular reviews of the funding levels. In particular, he carries out a review of the funding level each year between triennial valuations and details of his estimate of the funding level at 31 March 2014 are also included in this note.

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

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

Standard mortality tables were used as follows:

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

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

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

# Notes to the financial statements

## (continued)

### 31. PENSION FUNDS (CONTINUED)

At the valuation date, the value of the assets of the scheme was £32,433.5 million and the value of the scheme's technical provisions was £35,343.7 million, indicating a shortfall of £2,910.2 million. The assets therefore were sufficient to cover 92% of the benefits which had accrued to members after allowing for expected future increases in earnings.

The actuary also valued the scheme on a number of other bases as at the valuation date. On the scheme's historic gilts basis, using a valuation rate of interest in respect of past service liabilities of 4.4% per annum (the expected return on gilts) the funding level was approximately 68%. Under the Pension Protection Fund regulations introduced by the Pensions Act 2004 the scheme was 93% funded; on a buy-out basis (i.e. assuming the scheme had discontinued on the valuation date) the assets would have been approximately 57% of the amount necessary to secure all the USS benefits with an insurance company; and using the FRS 17 formula as if USS was a single employer scheme, using a AA bond discount rate of 5.5% per annum based on spot yields, the actuary estimated that the funding level at 31 March 2011 was 82%.

As part of this valuation, the trustee has determined, after consultation with the employers, a recovery plan to pay off the shortfall by 31 March 2021. In 2011 the actuary estimated that if experience remained in line with the assumptions made, the shortfall at 31 March 2014 would be £2.2 billion, equivalent to a funding level of 95%.

However, changes in market conditions between March 2011 and March 2014 have had an impact on scheme funding. The next formal triennial actuarial valuation will take place as at 31 March 2014, and work is currently underway to update the actuarial assumptions and allow for any adjustments to the overall funding approach adopted by the trustee board in consultation with stakeholders.

As work on the 2014 valuation is not yet complete the trustee cannot provide the final figure however, an estimate has been provided using the assumptions used to deliver the 2011 actuarial valuation. On that basis, the actuary has estimated that the funding level under the scheme specific funding regime will have fallen from 92% at 31 March 2011 to 85% at 31 March 2014. This estimate is based on the results from the valuation at 31 March 2011 allowing primarily for investment returns and changes to market conditions.

The funding level has decreased mainly due to a decrease in real gilt yields, reducing the implied net discount rate and therefore placing a higher value on the schemes liabilities. This increase has been partially offset by a higher than expected investment return.

On the FRS 17 basis, using an AA bond discount rate of 4.5% per annum based on spot yields, the actuary estimates that the funding level at 31 March 2014 was 75%. An estimate of the funding level measured on a historic gilts basis at that date was approximately 61%.

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

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

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

As at the 2011 valuation, the scheme was still a fully Final Salary Scheme for future accruals and the prevailing employer contribution rate was 16% of salaries.

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

Since the valuation effective date of 31 March 2011, there have been a number of changes to the benefits provided by the scheme although these became effective from October 2011. These include:

#### **New entrants**

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

#### **Normal pension age**

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

#### **Flexible retirement**

Flexible retirement options were introduced.

#### **Member contributions increased**

Contributions were uplifted to 7.5% per annum and 6.5% per annum for FS Section members and CRB Section members respectively.

#### **Cost sharing**

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

#### **Pension increase cap**

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

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.

The trustee's role is to set risk and return parameters which reflect the strength of the sponsoring employers and the nature of the scheme's liabilities. These parameters, taken together with the anticipated returns form the basis of the trustee's funding strategy. These parameters are informed by advice from its internal investment team, its investment consultant and the scheme actuary, as well as an independent assessment of the support available from the sponsoring employers. The trustee remains confident that it can continue to take a long-term view of scheme funding, backed as it is by a robust Higher Education (HE) sector.

The fund is invested in a wide range of asset classes, both publicly traded (including equities and fixed income) and private (including private equity, infrastructure, property and timberland). A diversified portfolio helps to spread investment risk across different asset classes and to boost the level of confidence in maintaining sufficient investment returns from the fund as a whole. This investment approach is innovative and responsible, and targeted at achieving returns required to meet the scheme's liabilities. Recently, the trustee has invested directly in infrastructure assets. These investments are typically illiquid, but can achieve attractive inflation-linked returns in ways often not available in the publicly traded markets and which can match the scheme's liabilities to a high degree.

#### **Scottish Teachers Superannuation Scheme (STSS)**

The STSS provides final salary benefits to members of the former Moray House School of Education and is a multi-employer defined benefits scheme. The University is unable to identify its share of the underlying assets and liabilities of the scheme. Accordingly, the University has taken advantage of the exemption in FRS 17 and has accounted for a defined contribution scheme. The last actuarial valuation was carried out at 31 March 2005 and the results of this valuation were rolled forward to calculate an updated liability of £23.6 billion at 31 March 2012.

As the scheme is unfunded, no surplus or shortfall can be identified. On the advice of the actuary, it was agreed to increase the institution contribution rate by 1.4% to 14.9% 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.

#### **Medical Research Council Pension Scheme (MRCPS)**

As a result of the merger with Human Genetics Unit the University obtained membership of the Medical Research Council Pension Scheme (MRCPS) with effect from 1 October 2011. The MRC is a final salary pension scheme. Under the definitions set out in FRS 17, 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 FRS 17 and has accounted for its contributions as if it were a defined contribution scheme. The following information is available on the scheme:

### 31. PENSION FUNDS (CONTINUED)

The MRCPS provides benefits based on service and final pensionable pay at the normal retirement age of 65. It is a defined benefit scheme that prepares its own scheme statements. Benefits accrue at the rate of 1/80th of pensionable salary for each year of service. In addition, a lump sum equivalent to three years' pension is payable on retirement. Members pay contributions of between 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%. 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% of the benefits that had accrued to members after allowing for expected future increases in earnings. Triennial valuations are conducted under the Pensions Act 2004 on a scheme specific funding basis. The scheme is 110% funded on an ongoing basis. The present MRCPS employers' contribution rate is 14.9%.

#### National Employee Savings Trust (NEST)

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

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

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

#### National Health Service Superannuation Scheme (NHSSS)

As a result of the merger with the Human Genetics Unit, the University gained a number of staff in the NHSSS pension scheme. Under the definitions set out in FRS 17, the NHSSS is a multi-employer scheme. The University is unable to identify its share of the underlying assets and liabilities of the scheme. Accordingly, the University has taken advantage of the exemption in FRS 17 and has accounted as if it were a defined contribution scheme. An actuarial assessment was carried out at 31 March 2011.

#### The Federated Superannuation Scheme for Universities (FSSU)

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

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

#### Unfunded pensions

The University has a number of unfunded pensions which relate to the mergers with the Edinburgh College of Art and the Moray House School of Education and ex-gratia payments from the University. The value of these liabilities has been calculated as £9.6 million comprising:

Moray House School of Education: £5.4 million  
 Edinburgh College of Art: £2.5 million  
 University of Edinburgh: £1.6 million

\*See Provision for liabilities and charges (note 20).

## Schemes accounted for under FRS 17

### Edinburgh University Staff Benefits Scheme (SBS)

The SBS is an externally funded defined benefit scheme which is contracted out of the State Second Pension (S2P) scheme. The assets of SBS 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 the basis for the following valuation under FRS 17. As at 31 July 2014, the value of the assets in the scheme was £289 million (2013: £278 million) and the present value of the funded and unfunded benefits accrued was £383 million (2013: £337 million), leaving a shortfall of £94 million (2013: £59 million) included in the University pension liability.

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

### Lothian Pension Fund (LPF)

The assets in the SBS scheme and the expected rates of return were:	Long-term rate of return expected at 31 July 2014	Value at 31 July 2014 £m	Long-term rate of return expected at 31 July 2013	Value at 31 July 2013 £m	Long-term rate of return expected at 31 July 2012	Value at 31 July 2012 £m
Equities	7.60%	114	8.00%	167	80.00%	132
Fixed interest government bonds	3.35%	50	3.30%	48	2.50%	48
Corporate bonds	4.10%	18	4.60%	17	3.90%	17
Property	4.70%	28	7.00%	25	7.00%	24
Private equity	6.90%	20	7.00%	20	7.00%	14
Diversified growth fund	6.90%	58	-	-	1.60%	-
Cash	0.90%	1	0.90%	0	2.80%	0
Total market value of assets		289		277		235
Present value of scheme liabilities						
Funded		(383)		(336)		(324)
Deficit in the scheme – net pension liability		(94)		(59)		(89)

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. LPF is a pool into which employees' and employers' contributions and income from investments are paid, and from which previous and other related benefits are paid out in accordance with the provisions of the Local Government Pensions Schemes. The last full valuation was carried out at 31 March 2011 and the results have been rolled forward as the basis for the following valuation under FRS 17. As at 31 July, the value of the University's assets in the LPF scheme was £16.6 million (2013: £16 million) and the present value of the funded and unfunded benefits accrued was £21.2 million (2013: £19 million), leaving a shortfall of £4.6 million (2013: £3 million) included in the University pension liability.

Further information on the scheme is available at <http://www.lpf.org.uk/>

The assets in the LPF scheme and the expected rates of return were:	Long-term rate of return expected at 31 July 2014	Value at 31 July 2014 £m	Long-term rate of return expected at 31 July 2013	Value at 31 July 2013 £m	Long-term rate of return expected at 31 July 2012	Value at 31 July 2012 £m
Equities	6.50%	13.1	8.00%	12.8	5.50%	14.0
Bonds	3.30%	1.4	4.90%	1.1	2.90%	2.0
Property	4.70%	1.3	7.00%	1.3	3.70%	2.0
Cash	3.60%	0.8	0.90%	0.8	2.80%	-
Total market value of assets		16.6		16.0		18.0
Present value of scheme liabilities						
Funded		(21.0)		(18.8)		(23.0)
Unfunded		(0.2)		(0.2)		(0.2)
Deficit in the scheme – net pension liability		(4.6)		(3.0)		(5.2)

**31. PENSION FUNDS (CONTINUED)****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. SPF is a pool into which employees' and employers' contributions and income from investments are paid, and from which previous and other related benefits are paid out in accordance with the provisions of the Local Government Pensions Schemes. The last full valuation was carried out at 31 March 2011 and the results have been rolled forward as the basis for the following valuation under FRS 17. As at 31 July 2014, the value of the University's assets in the SPF scheme was £24.7 million (2013: £23.8 million) and the value of the funded and unfunded benefits accrued was £28.9 million (2013: £26.4 million), leaving a deficit of £4.2 million (2013: £2.6 million) included in the University pension liability.

Further information on the scheme is available at <http://www.spfo.org.uk/>

The assets in the SPF scheme and the expected rates of return were:	Long-term rate of return expected at 31 July 2014	Value at 31 July 2014 £m	Long-term rate of return expected at 31 July 2013	Value at 31 July 2013 £m	Long-term rate of return expected at 31 July 2012	Value at 31 July 2012 £m
Equities	6.60%	<b>18.8</b>	8.00%	18.1	8.00%	15.0
Bonds	3.50%	<b>3.0</b>	4.60%	3.3	3.10%	2.7
Property	4.70%	<b>1.7</b>	7.00%	1.7	7.00%	1.6
Cash	3.60%	<b>1.2</b>	0.90%	0.7	2.80%	1.2
Total market value of assets		<b>24.7</b>		23.8		20.5
Present value of scheme liabilities						
Funded		<b>(28.3)</b>		(25.7)		(25.7)
Unfunded		<b>(0.6)</b>		(0.7)		
Deficit in the scheme – net pension liability		<b>(4.2)</b>		(2.6)		(6.2)

# Notes to the financial statements

## (continued)

### FRS 17 disclosures

The following amounts were measured in accordance with the requirements of FRS 17 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

	<b>Year to 31 July 2014 £'000</b>	Year to 31 July 2013 £'000
Current service cost	<b>12,460</b>	12,147
Past service cost	<b>52</b>	870
Total operating charge	<b>12,512</b>	13,017
Less contributions paid	<b>(12,535)</b>	(12,815)
Pensions costs less contributions payable (note 7)	<b>(23)</b>	202

#### Analysis of the amount debited to other finance cost

Expected return on pension scheme assets	<b>21,754</b>	17,357
Interest on pension scheme liabilities	<b>(17,254)</b>	(14,745)
Net income to pension scheme assets (notes 6)	<b>4,500</b>	2,612

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

Difference between expected and actual return on scheme assets	<b>(6,063)</b>	33,286
Experience losses arising on scheme liabilities	<b>(35,672)</b>	(3,603)
Other changes in assumptions underlying the present value of the scheme liabilities	<b>(1,600)</b>	3,000
Actuarial (loss)/gain recognised in the STRGL	<b>(43,335)</b>	32,683

#### Movement in deficit during year (note 24)

	<b>Year to 31 July 2014 £'000</b>	Year to 31 July 2013 £'000
Deficit in schemes at 1 August	<b>64,181</b>	99,274
<b>Movement in year:</b>		
Employer service cost (net of employee contributions)	<b>12,512</b>	13,017
Employer contributions	<b>(12,535)</b>	(12,815)
Net return on assets	<b>(4,500)</b>	(2,612)
Actuarial loss/(gain)	<b>43,335</b>	(32,683)
Deficit in schemes at 31 July	<b>102,993</b>	64,181

# Notes to the financial statements

## (continued)

### 31. PENSION FUNDS (CONTINUED)

#### Asset and liability reconciliation

	Year to 31 July 2014 £000's	Year to 31 July 2013 £'000's
<b>Reconciliation of liabilities</b>		
Liabilities at start of year	381,785	373,374
Service cost	12,497	12,147
Interest cost	17,254	14,745
Employee contributions	511	425
Actuarial loss	37,272	603
Benefits paid – funded	(16,145)	(15,018)
Benefits paid – unfunded	(67)	(74)
Liabilities transferred out on settlement	15	(4,417)
Liabilities at end of year	433,122	381,785
<b>Reconciliation of assets</b>		
Assets at start of year	317,604	274,100
Acquisition of ECA	-	-
Expected return on assets	21,754	17,357
Actuarial (loss)/gain	(6,063)	33,286
Employer contributions	12,535	12,815
Employee contributions	511	425
Benefits paid – funded	(16,145)	(15,018)
Benefits paid – unfunded	(67)	(74)
Assets distributed on settlement	-	(5,287)
Assets at end of year	330,129	317,604

#### History of experience gains and losses

	Year to 31 July 2014	Year to 31 July 2013	Year to 31 July 2012	Year to 31 July 2011	Year to 31 July 2010
Difference between the expected and actual return on assets:					
Amount £'000	(6,063)	33,286	(3,657)	2,714	18,579
Percentage of scheme assets	(1.8%)	10.5%	(1.4%)	1.1%	8.1%
Experience (losses) and gain on scheme liabilities:					
Amount £'000	(35,672)	(3,603)	20,683	539	(4,422)
Percentage of scheme liabilities	(8.2%)	(0.9%)	7.5%	0.2%	(1.4%)
Total amount recognised in STRGL:					
Amount £'000	(43,335)	32,683	(28,374)	7,453	34,234
Percentage of scheme liabilities	(10.0%)	8.6%	(7.6%)	2.4%	11.3%

# Notes to the financial statements

(continued)

## 32. CAPITAL COMMITMENTS

	Group		University	
	2014 £'000	2013 £'000	2014 £'000	2013 £'000
Commitments contracted for at 31 July	<b>34,966</b>	72,864	<b>33,848</b>	54,709

	Group		University	
	2014 £'000	2013 £'000	2014 £'000	2013 £'000
Amounts funded through grants and benefaction	<b>7,447</b>	31,714	<b>7,110</b>	30,976

## 33. FINANCIAL COMMITMENTS

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

	Group and University	
	2014 £'000	2013 £'000
<b>Land and buildings</b>		
Expiring within one year	<b>4,431</b>	1,956
Expiring within two to five years	<b>714</b>	340
Expiring in over five years	<b>2,567</b>	2,548
	<b>7,712</b>	4,844
<b>Other</b>		
Expiring within one year	<b>691</b>	12
Expiring within two to five years	<b>217</b>	616
Expiring in over five years	<b>13</b>	513
	<b>921</b>	1,141
Total financial commitments	<b>8,633</b>	5,985

# Notes to the financial statements

## (continued)

### 34. HERITAGE ASSETS

#### MAIN COLLECTIONS

The University has eight major collections, which are capitalised in the annual accounts.

#### UNIVERSITY POLICIES ON ACQUISITIONS, PRESERVATION, MANAGEMENT AND DISPOSAL

University of Edinburgh Museums & Galleries Collections Policies Document 2010–2015, Library Collections Policy etc. are available online at: [www.ed.ac.uk/schools-departments/information-services/services/library-museum-gallery/crc/collections/museumsupport](http://www.ed.ac.uk/schools-departments/information-services/services/library-museum-gallery/crc/collections/museumsupport).

#### HERITAGE ASSETS CAPITALISED

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	<a href="http://www.quaritch.com">www.quaritch.com</a>
Edinburgh University Collection of Historic Musical Instruments (EUCHMI)	External	Sothebys	<a href="http://www.sothebys.com">www.sothebys.com</a>
The Fine Art Collections	External	Sothebys and Paolozzi Foundation	<a href="http://www.sothebys.com">www.sothebys.com</a> Not available
Cockburn Museum of Geology	Internal	Dr John Scally	<a href="http://www.ed.ac.uk/schools-departments/information-services/services/library-museum-gallery/museums-and-galleries">www.ed.ac.uk/schools-departments/information-services/services/library-museum-gallery/museums-and-galleries</a>
Natural History Collections	External	Dr Margaret Reilly, Hunterian Museum, Glasgow	<a href="http://www.gla.ac.uk/hunterian">www.gla.ac.uk/hunterian</a>
Museum Heritage Collection	Internal	Dr John Scally	<a href="http://www.ed.ac.uk/schools-departments/information-services/services/library-museum-gallery/museums-and-galleries">www.ed.ac.uk/schools-departments/information-services/services/library-museum-gallery/museums-and-galleries</a>
School of Scottish Studies Collections	External	Scottish Sound Archive	<a href="http://ssa.nls.uk">ssa.nls.uk</a>
School of Chemistry	Internal	Dr John Scally	<a href="http://www.ed.ac.uk/schools-departments/information-services/services/library-museum-gallery/museums-and-galleries">www.ed.ac.uk/schools-departments/information-services/services/library-museum-gallery/museums-and-galleries</a>

#### 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;
- Latvia National Library – Perush ha-Torah, valued at £15,000.



A heritage asset is an asset with historic, artistic, scientific, technological, geophysical or environmental qualities that is held and maintained principally for its contribution to knowledge and culture. FRS15 requires that all tangible fixed assets should be capitalised in the balance sheet and, in principle, this includes heritage assets.

# Notes to the financial statements

(continued)

	2010 £'000	2011 £'000	2012 £'000	2013 £'000	2014 £'000
Opening balance as at 1 August	149,352	158,703	158,744	169,522	<b>171,158</b>
Additions	-	41	260	-	<b>1,300</b>
Acquisition of ECA	-	-	2,460	-	-
Revaluation (note 23)	9,351	-	8,058	1,636	<b>2,700</b>
Closing balance as at 31 July	158,703	158,744	169,522	171,158	<b>175,158</b>

### 35. RELATED PARTY TRANSACTIONS

Due to the nature of the University's operations and the composition of the University Court (being drawn from local, public and private sector organisations), it is inevitable that transactions will take place with organisations in which a member of Court may have an interest. All transactions involving organisations in which a member of the University Court may have an interest are conducted in accordance with the University's financial regulations and normal procurement procedures, which require individuals to declare any interest and no related party transactions of a material nature were noted during the year. Details of the organisations in which members of the University Court have an interest are published online at: <http://www.ed.ac.uk/schools-departments/governance-strategic-planning/governance/university-court/membership>. The University has taken advantage of the exemption within FRS8 and has not disclosed transactions with other group entities where it holds 100% of the voting rights.

The University makes certain payments on behalf of, and is reimbursed for certain costs by, the Edinburgh University Students' Association (EUSA). The University does not exercise control over the affairs of EUSA.

### 36. BENEFITS ARISING FROM ACQUISITIONS (NEGATIVE GOODWILL)

	2014 £'000	2013 £'000
As at 1 August	<b>27,012</b>	28,363
Release of negative goodwill to income	<b>(2,078)</b>	(1,351)
As at 31 July	<b>24,934</b>	27,012

### 37. STUDENT SUPPORT FUNDS

	2014 HE childcare £'000	2014 HE discretionary undergraduate £'000	2014 HE discretionary postgraduate £'000	2014 Total £'000	2013 Total £'000
Balance b/fwd	-	-	-	-	-
Allocation received in year	314	781	301	<b>1,396</b>	1,416
Expenditure	(258)	(911)	(231)	<b>(1,400)</b>	(1,416)
Repaid as clawback	-	-	-	-	-
Interest received	-	4	-	<b>4</b>	-
Virements	(56)	126	(70)	-	-
Balance c/fwd	-	-	-	-	-

# Five-year financial summary (unaudited)

GROUP INCOME AND EXPENDITURE ACCOUNT FOR THE YEAR TO 31 JULY	2014 £'000	2013 £'000	2012 £'000	2011 £'000	2010 £'000
<b>Income</b>					
<b>Funding body grants</b>					
Recurrent teaching grant	76,316	80,621	76,757	79,392	80,883
Recurrent research grant	100,446	93,439	83,243	82,160	79,897
Specific grants	23,094	26,096	25,446	24,998	34,346
Deferred capital grants released in year	4,260	4,126	3,992	2,958	2,652
Total grants	204,116	204,282	189,438	189,508	197,778
<b>Tuition fees</b>					
Home and EU higher education students	74,722	64,144	47,397	47,083	48,044
Non-EU fees	100,906	93,435	85,427	68,652	55,580
Education grants	18,439	16,500	17,474	15,325	6,316
Total fees	194,067	174,079	150,298	131,060	109,940
<b>Research grants and contracts</b>					
Research councils	109,101	97,054	94,473	84,212	82,341
UK-based charities	43,178	43,335	43,624	42,999	44,480
UK central, government bodies, local and health authorities	17,903	17,346	17,316	17,781	21,345
UK industry, commerce and public corporations	5,413	8,733	7,852	10,080	10,286
EU government bodies	24,325	23,383	19,611	17,329	17,511
EU other	2,071	1,614	1,262	721	1,152
Other overseas	6,714	5,011	4,484	4,463	4,227
Other sources	7,229	3,647	4,497	3,405	3,937
Total grants	215,934	200,123	193,119	180,990	185,279
<b>Other operating income</b>					
Residences, catering and conferences	50,170	48,195	43,668	39,434	39,594
Specific grants, donations and other designated income	35,199	28,869	40,590	35,319	40,278
General income	57,597	60,258	63,876	58,408	47,496
Released from deferred capital grants	2,345	3,059	5,783	4,388	4,023
Benefit on acquisition	2,078	1,351	1,461	-	-
Total other income	147,389	141,732	155,378	137,549	131,391
<b>Endowment income and interest receivable</b>					
Income from expendable endowments	6,689	5,292	5,118	5,210	5,105
Income from permanent endowments	3,727	2,991	2,567	2,473	2,281
Other investment income	270	485	527	475	719
Other interest receivable	8,438	8,802	4,442	1,965	1,486
Total endowment income and interest receivable	19,124	17,570	12,654	10,123	9,591
<b>Total income</b>	<b>780,630</b>	<b>737,786</b>	<b>700,887</b>	<b>649,230</b>	<b>633,979</b>

# Five-year financial summary (unaudited)

GROUP INCOME AND EXPENDITURE ACCOUNT FOR THE YEAR TO 31 JULY	2014 £'000	2013 £'000	2012 £'000	2011 £'000	2010 £'000
<b>Expenditure</b>					
<b>Staff costs</b>					
Salaries and wages	<b>312,836</b>	291,214	272,100	257,721	258,934
Social security costs	<b>25,528</b>	21,716	22,391	20,899	20,799
Other pension costs	<b>68,886</b>	63,180	56,071	50,864	54,627
Severance costs	<b>1,828</b>	1,750	2,064	2,299	4,721
Unfunded pensions	<b>916</b>	(595)	2,047	(606)	668
<b>Total salaries</b>	<b>409,994</b>	377,265	354,673	331,177	339,749
<b>Other operating expenses</b>					
Academic and related expenditure	<b>75,531</b>	68,119	62,216	55,808	57,782
Research grants and contracts	<b>83,907</b>	75,774	70,895	61,925	63,809
Library, computer and other academic support services	<b>13,156</b>	14,803	23,087	14,237	12,121
Administration and central services	<b>24,591</b>	22,696	17,091	16,075	14,754
Premises	<b>59,900</b>	61,085	54,050	57,944	64,642
Other including income generating operations	<b>13,134</b>	14,094	19,076	18,719	9,652
Residences and catering operations	<b>29,148</b>	28,194	22,438	19,221	20,248
<b>Total other operating expenses</b>	<b>299,367</b>	284,765	268,853	243,929	243,008
Depreciation	<b>32,292</b>	32,699	31,569	25,579	24,333
Interest payable	<b>5,538</b>	5,604	4,818	4,798	6,745
<b>Total expenditure</b>	<b>747,191</b>	700,333	659,913	605,483	613,835
Surplus on continuing operations	<b>33,439</b>	37,453	40,974	43,747	20,144
Tax and minority interest	<b>(36)</b>	(14)	(61)	(4)	(11)
Gain/(losses) on disposal of assets	<b>-</b>	547	206	(66)	(997)
Transfers from/(to) endowment reserves	<b>(3,003)</b>	265	546	(1,454)	(820)
<b>Surplus retained within general reserves</b>	<b>30,400</b>	38,251	41,665	42,223	18,316

# Five-year financial summary (unaudited)

(continued)

GROUP BALANCE SHEET AS AT 31 JULY	2014 £m	2013 £m	2012 £m	2011 £m	2010 £m
Fixed assets	<b>1,421</b>	1,399	1,379	1,347	1,298
Endowment assets	<b>298</b>	284	238	237	200
Current assets	<b>477</b>	450	415	316	257
Total assets	<b>2,196</b>	2,133	2,032	1,900	1,755
Less current liabilities	<b>(260)</b>	(250)	(236)	(230)	(219)
Total assets less current liabilities	<b>1,936</b>	1,883	1,796	1,670	1,536
Non-current liabilities	<b>(106)</b>	(118)	(121)	(61)	(63)
Pension liability and provisions	<b>(113)</b>	(64)	(99)	(68)	(77)
TOTAL NET ASSETS	<b>1,717</b>	1,700	1,576	1,541	1,396
Represented by:					
Deferred capital grants	<b>378</b>	366	349	337	278
Endowments	<b>298</b>	284	238	237	200
Reserves	<b>1,041</b>	1,050	989	967	918
TOTAL FUNDS	<b>1,717</b>	1,700	1,576	1,541	1,396
Staff numbers (expressed as full-time equivalents) as at 31 July	<b>8,938</b>	8,342	7,871	7,255	7,341
Student numbers as at 31 July	<b>33,110</b>	32,868	31,323	28,978	28,394
<b>Performance measures set out in the Strategic Plan</b>					
ROCE (Net surplus after tax/capital employed [total assets - Current Liabilities ])	<b>1.73%</b>	1.99%	2.30%	2.62%	1.31%
Operating surplus as % turnover	<b>3.89%</b>	5.19%	5.85%	6.74%	3.18%
Total income per FTE	<b>£87,338</b>	£88,442	£89,004	£89,487	£86,361
% Increase/decrease in income per FTE	<b>-1.25%</b>	-0.71%	-0.54%	3.62%	7.51%
% Increase/decrease in research grant income – EU	<b>5.60%</b>	19.76%	15.64%	-3.28%	12.84%
% Increase/decrease in research grant income – research councils	<b>12.41%</b>	1.60%	12.18%	2.27%	9.43%
% Increase/decrease in research grant income – overseas	<b>33.99%</b>	11.75%	0.47%	5.58%	0.48%

# Five-year financial summary (unaudited)

	2014 £million	2013 £million	2012 £million	2011 £million	2010 £million
<b>Liquidity measures</b>					
Liquidity ratio ((current assets - stock) / current liabilities)	<b>1.82</b>	1.79	1.74	1.34	1.16
<i>Extent to which current liabilities can be met from cash and liquid investments</i>					
Days ratio of cash to total expenditure (investments + cash at bank - overdraft) / (total expenditure - depreciation)*365	<b>194</b>	191	187	141	105
<i>The number of days expenditure that could be sustained from available funds</i>					
<b>Solvency measures</b>					
Interest cover (earnings before interest and tax) / interest payable	<b>6.04</b>	6.78	8.55	9.10	2.84
<i>Measures how easily the University can pay outstanding debt</i>					
Gearing (creditors > 1 year / endowment + general reserves incl. pension reserve)	<b>7.96%</b>	8.14%	8.96%	4.49%	5.75%
<i>Measures the extent to which the University is funded by long-term debt</i>					
<b>Operating Performance</b>					
EBITDA (historic cost surplus for year + depreciation + amortisation + interest payable + tax charges - release of deferred capital grants - exceptional items + FRS staff charges)	<b>£55</b>	£58	£63	£59	£43
<i>Measures operating performance before local decisions on accounting and finance policies are taken into account</i>					

# Five-year financial summary (unaudited)

(continued)

GROUP INCOME AND EXPENDITURE ACCOUNT FOR THE YEAR TO 31 JULY	2014 % total	2013 % total	2012 % total	2011 % total	2010 % total
<b>Income</b>					
<b>Funding body grants</b>					
Recurrent teaching grant	<b>9.78%</b>	10.93%	10.96%	12.23%	12.76%
Recurrent research grant	<b>12.86%</b>	12.66%	11.88%	12.65%	12.60%
Specific grants	<b>2.96%</b>	3.54%	3.63%	3.85%	5.42%
Deferred capital grants released in year	<b>0.55%</b>	0.56%	0.57%	0.46%	0.42%
Funding council grants as % of total income	<b>26.15%</b>	27.69%	27.04%	29.19%	31.20%
<b>Tuition fees and contracts</b>					
Home and EU higher education students	<b>9.57%</b>	8.69%	6.76%	7.25%	7.58%
Non-EU fees	<b>12.93%</b>	12.66%	12.19%	10.57%	8.76%
Education grants	<b>2.36%</b>	2.24%	2.49%	2.36%	1.00%
Tuition fees as a % of total income	<b>24.86%</b>	23.59%	21.44%	20.18%	17.34%
<b>Research grants and contracts</b>					
Research councils	<b>13.97%</b>	13.15%	13.85%	12.97%	12.99%
UK-based charities	<b>5.53%</b>	5.87%	6.19%	6.62%	7.02%
UK central, government bodies, local and health authorities	<b>2.29%</b>	2.35%	2.48%	2.74%	3.37%
UK industry, commerce and public corporations	<b>0.69%</b>	1.18%	1.25%	1.55%	1.62%
EU government bodies	<b>3.12%</b>	3.17%	3.34%	2.67%	2.76%
EU other	<b>0.27%</b>	0.23%	0.23%	0.11%	0.18%
Other overseas	<b>0.86%</b>	0.68%	0.72%	0.69%	0.67%
Other sources	<b>0.93%</b>	0.49%	0.52%	0.53%	0.62%
Research grants and contracts as a % of total income	<b>27.66%</b>	27.12%	28.58%	27.88%	29.23%
<b>Other operating income</b>					
Residences, catering and conferences	<b>6.43%</b>	6.53%	6.88%	6.07%	6.25%
Specific grants, donations and other designated income	<b>4.51%</b>	3.91%	5.79%	5.44%	6.35%
General income	<b>7.37%</b>	8.17%	7.83%	9.00%	7.49%
Released from deferred capital grants	<b>0.30%</b>	0.41%	0.44%	0.68%	0.63%
Benefit on acquisition	<b>0.27%</b>	0.19%	0.19%	0.00%	0.00%
Other operating income as a % of total income	<b>18.88%</b>	19.21%	21.13%	21.19%	20.72%
<b>Endowment income and interest receivable</b>					
Income from expendable endowments	<b>0.86%</b>	0.72%	0.73%	0.80%	0.81%
Income from permanent endowments	<b>0.48%</b>	0.41%	0.37%	0.38%	0.36%
Other investment income	<b>0.03%</b>	0.07%	0.08%	0.08%	0.11%
Other interest receivable	<b>1.08%</b>	1.19%	0.63%	0.30%	0.23%
Endowment income and interest receivable as % of total income	<b>2.45%</b>	2.39%	1.81%	1.56%	1.51%
<b>Total income</b>	<b>780,630</b>	737,786	700,887	649,230	633,979

# Five-year financial summary (unaudited)

GROUP INCOME AND EXPENDITURE ACCOUNT FOR THE YEAR TO 31 JULY	2014 % total	2013 % total	2012 % total	2011 % total	2010 % total
<b>Expenditure</b>					
<b>Staff costs</b>					
Salaries and wages	<b>41.87%</b>	41.58%	41.23%	42.57%	42.18%
Social security costs	<b>3.42%</b>	3.10%	3.39%	3.45%	3.39%
Other pension costs	<b>9.22%</b>	9.02%	8.50%	8.40%	8.90%
Severance costs	<b>0.24%</b>	0.25%	0.32%	0.38%	0.77%
Unfunded pensions	<b>0.12%</b>	-0.08%	0.31%	-0.10%	0.11%
Staff costs as % of total expenditure	<b>54.87%</b>	53.87%	53.75%	54.70%	55.35%
<b>Other operating expenses</b>					
Academic and related expenditure	<b>10.11%</b>	9.73%	9.43%	9.22%	9.41%
Research grants and contracts	<b>11.23%</b>	10.82%	10.74%	10.23%	10.40%
Library, computer and other academic support services	<b>1.76%</b>	2.11%	3.50%	2.35%	1.98%
Administration and central services	<b>3.29%</b>	3.24%	2.59%	2.66%	2.40%
Premises	<b>8.02%</b>	8.72%	8.19%	9.57%	10.53%
Other including income generating operations	<b>1.76%</b>	2.01%	2.89%	3.09%	1.57%
Residences and catering operations	<b>3.90%</b>	4.03%	3.40%	3.17%	3.30%
Other operating expenses as % of total expenditure	<b>40.07%</b>	40.66%	40.74%	40.29%	39.59%
Depreciation	<b>4.32%</b>	4.67%	4.78%	4.22%	3.96%
Interest payable	<b>0.74%</b>	0.80%	0.73%	0.79%	1.10%
Total expenditure	<b>747,191</b>	700,333	659,913	605,483	613,835
Expenditure as a proportion of total income	<b>95.72%</b>	94.92%	94.15%	93.26%	96.82%

# Notes

## Our enablers

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

## Reportable accidents/ incidents

2014	22
2013	31
2012	41
2011	44

## % of staff appraised\*

2014	92%
2013	72%

\*Figures not available prior to 2013

## NSS student satisfaction with learning resources\*

2014	89%
2013	87%
2012	83%
2011	83%

\*Source: National Student Survey rankings

## Staff turnover %\*

2014	8.68%
2013	8.02%
2012	8.19%
2011	8.90%

\*By academic year

### Infrastructure

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



### People

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

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

2014	£1,206
2013	£1,176
2012	£1,125
2011	£1,061

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

## Staff head count to 31 July\*

2014	12,911
2013	12,727
2012	10,886
2011	10,671

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

## Surplus as % turnover\*

2014	4%
2013	5%
2012	6%
2011	7%

\*A planned reduction in the operating surplus facilitated revenue investment in staff and infrastructure refurbishment over the last three years

## Total income per FTE (£'000)

2014	87
2013	88
2012	89
2011	89



### Finance

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

## Return on Capital Employed (ROCE)\*

2014	1.73%
2013	1.99%
2012	2.28%
2011	2.62%

\*A planned reduction in the operating surplus facilitated revenue investment in staff and infrastructure refurbishment over the last three years.

This has also temporarily reduced the ROCE.

This publication is available online  
at [www.accounts.finance.ed.ac.uk/](http://www.accounts.finance.ed.ac.uk/).  
It can also be made available in  
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Published by:  
The University of Edinburgh

Designed by:  
The University of Edinburgh  
Emperor, [www.emperordesign.co.uk](http://www.emperordesign.co.uk)

Printed by:  
J Thomson Colour Printers

Cover photography by Paul Dodds  
Photography also by:  
Douglas Robertson  
Laurence Winram  
Michael Hughes/Maverick Photo Agency  
Paul Dodds  
Sam Sills/White Dog Photography  
The University of Edinburgh Digital Imaging Unit

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Thank you to all staff and students who helped  
in the production of this publication.

The University of Edinburgh is a charitable body registered  
in Scotland, with registration number SC005336.