



THE UNIVERSITY *of* EDINBURGH  
Annual Report and Accounts  
for the Year to 31 July 2015

[www.ed.ac.uk](http://www.ed.ac.uk)



# The University of Edinburgh at a glance

## Our strategic goals

### Excellence in education

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



Our percentage of UK/EU graduates in employment or further study six months after graduating is 93.5 per cent and remains higher than the UK and Scottish averages.\*

\*Source: HESA Destination of Leavers of Higher Education survey, published July 2015.

World university rankings\*

QS  
THE

21st  
24th



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

### Excellence in innovation

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



# 44:49

The University created 44 new companies and signed 49 revenue-bearing licences.



### 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.



# 13%

The value of research applications in 2014/15 grew by 13 per cent.

Total research income (£m)

2015	226
2014	216
2013	200



# Our vision

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

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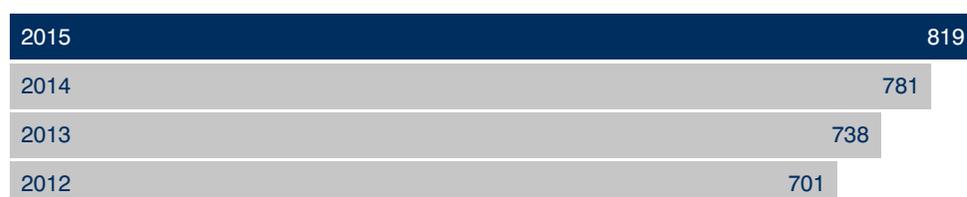
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# Highlights of 2015: a strong financial position and vision for the future

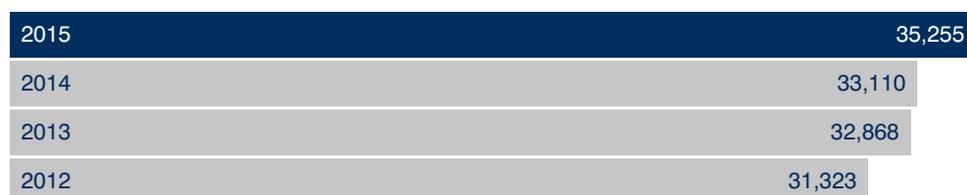
## Total revenue (£m)\*



# 54%

Percentage of annual income invested in staff costs.\*

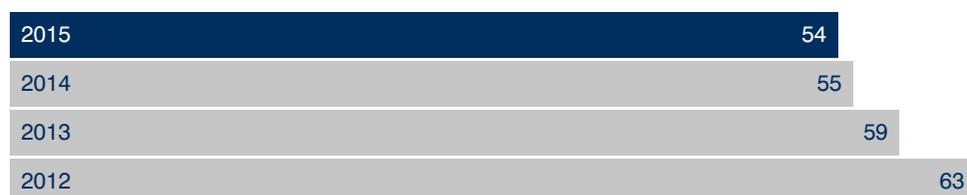
## Student numbers



# 42%

The percentage of students from outside the UK.

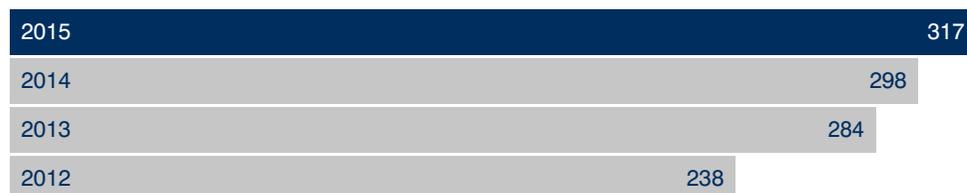
## EBITDA (£m)\* (Earnings before interest, tax, depreciation and amortisation)



# 2.9%

Operating surplus as a percentage of total income.\*

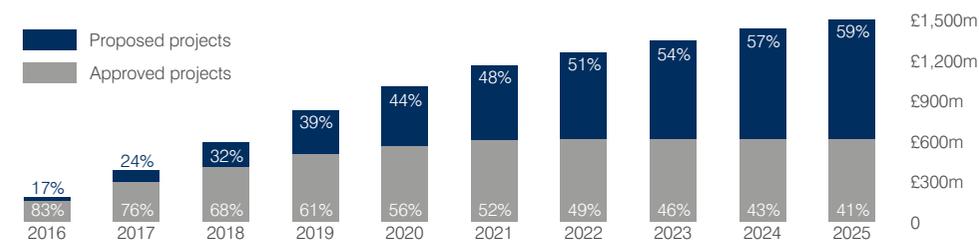
## Endowment fund value (£m)



# 8.1%

The University's annual return on endowment funds.

## Estate programme - indicative forecast project spend (cumulative)



### Funding strategy

As in previous years our funding strategy for estate investment has been to use operating surpluses and cash reserves to leverage external grants and donations. In addition to this, the University Court (September 2015) approved a plan to raise long-term debt to facilitate delivery of the Estates Strategy over the next ten years. The University is in advanced discussions to secure a substantial long term debt facility that will provide additional working capital required to finance our Estates Strategy.

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

[www.accounts.finance.ed.ac.uk](http://www.accounts.finance.ed.ac.uk)

\*Figures exclude exceptional items

# Principal's report

I am tremendously grateful for the huge contribution that students, colleagues and supporters have made to enable us to achieve so many of our goals.

## Excellence in education

Enhancing the quality of the student experience and delivering top quality teaching remains a priority. Our commitment to recruiting the brightest and best students regardless of their financial situation is reflected in our continuing investment in bursary provision for UK undergraduates. Some £6.8 million was shared across the University's three main bursary schemes. Of the three, the University of Edinburgh Bursaries scheme is the largest, supports Rest of UK students and is the most generous bursary support provided by a UK university for those with a family income below £16,000. Additionally, the Scotland Accommodation Bursary supports Scottish domiciled students and a number of access bursaries are offered to all UK students who have a significant financial need or personal circumstance. We also 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 survey results show that 93.5 per cent of our UK graduate leavers are in employment, or further study, six months after graduating. More than 85 per cent of those entering employment do so at graduate level. Our graduates are working in more than 100 countries, and more than 2,500 different employers recruited from Edinburgh last year. It is encouraging to see the quality and reach of our students' destinations.

The University has also been ranked as one of the top 20 institutions in the world for graduate employment by the Global Employability University Ranking, published by the New York Times. The new rankings measure universities on the production of graduates who are "ready to work", have expertise in a particular field, and by reputation.

Our range of Massive Open Online Courses (MOOCs) form part of the University's commitment to knowledge exchange and community outreach and, from a standing start in 2012, we hope to reach two million learner sign-ups to our MOOCs by early 2016.

Our staff are key to our success and we are committed to providing an environment where staff feel valued, supported and able to develop to their full potential. We are proud to be the first Scottish University to sign up to the Scottish Business Pledge, a voluntary partnership between the Scottish Government and employers to commit to fair and progressive policies that boost productivity, recognise fairness and increase diversity. Key elements of the pledge include a commitment to pay the living wage – something we have been doing since 2012 – and the avoidance of so-called zero-hours contracts. The University dropped hours to be notified contracts in 2014, a change implemented in partnership with our trade union colleagues and Edinburgh University Students' Association (EUSA). With our partners, we continue to enhance the employment experience of our hourly paid staff. In recognition of the increased cost to international staff of visa and associated charges, we were one of the first Universities to introduce an interest-free loan mechanism to provide financial support with these costs.

## Excellence in research

The University has had a fantastic year for securing new research awards with the total value of new awards at a record £305 million. This is £5 million greater than the previous record of 2012/13, and 13 per cent higher than last year's figure of £270 million.

Our status as one of Britain's leading research universities was reaffirmed by the results of the 2014 UK Research Excellence Framework (REF) in which Edinburgh has been rated fourth in the UK for research power and is by far the most successful university in Scotland. The results reveal that 83 per cent of the University's research activity is in the highest categories – 4\* and 3\* – which are classified as world-leading or internationally excellent.

Each of the University's three Colleges has at least one research area ranked top in the UK. Also coming top were joint submissions in Agriculture, Veterinary and Food Science with Scotland's Rural College (SRUC), and in General Engineering with Heriot-Watt University.

Edinburgh is also one of a select group of British universities to achieve outstanding results when demonstrating the impact of its research on wider society. More than half of our research in this category was classed as world-leading.

The real world impact of our research is evident across a breadth of activities, ranging from the innovative contributions to health of Bioquarter spin-out companies, such as Roslin Cells and Edinburgh Molecular Imaging, to research underpinning the reform of youth justice policy in Scotland and our expertise in supercomputing which transforms business and healthcare.

The independent consultancy, BiGGAR Economics, has estimated that the impact of our research contracts to the Scottish economy in 2013/14 was £16.8 million Gross Value Added (GVA) and £55 million GVA to the UK. BiGGAR has estimated that every £100 invested in research by the Scottish Government provides the foundation from which Edinburgh researchers win another £216 in competitive research funding from charities, the EU, industry and UK Research Councils.

The totals for Scotland are £2 billion GVA and 31,170 jobs. The University also generated a total impact of £4.09 for every £1 of direct impact, supported 2.51 jobs in Scotland for every person directly employed and generated £9.53 GVA for the Scottish economy for every £1 received from the Scottish Funding Council. We anticipate a similarly buoyant picture will emerge in 2014/15.

We are, along with many other sectors, facing a challenging funding environment and we continue to stress to the Scottish Government the importance of stable formula funding to ensure that long-term research excellence thrives.

We have also actively engaged with the Scottish Government over their plans to reform Higher Education Governance in Scotland. We continue to propose potential alternative views while remaining committed to ensuring that universities in Scotland are governed in the best possible way.



# Excellence in education

## MOOC Millions

From a standing start in 2012 we hope to reach two million Massive Open Online Course (MOOC) learner sign-ups by early 2016. Our MOOCs have a truly global reach and at the time of writing there are only eight countries and territories in the world where we do not yet have learner sign ups. The University offers a portfolio of 24 courses across all three colleges. More than 40 new course proposals were received in 2015 with interest to develop MOOCs in 19 academic schools. Our MOOCs are currently delivered via two platform providers, Coursera and FutureLearn, and by mid-2016 we aim to also deliver courses through edX.

MOOCs form part of the University's commitment to knowledge exchange and community outreach, find out more about our MOOCs at [www.ed.ac.uk/studying/moocs](http://www.ed.ac.uk/studying/moocs)



# Principal's report

## (continued)

### Excellence in innovation

The University's commercialisation and knowledge transfer activities continue to make a positive impact on the economy. The University supported the formation of 41 start-ups and three spin-outs in 2014/15 – a new record. Investment in university-founded companies has also hit a new high, with a total of £237 million invested in the past year. The development strengthens the University's position as Scotland's leading research institution while the new companies have contributed more than £140 million to the Scottish economy and helped to create some 2,300 jobs.

The idea that universities should be drivers of economic growth as well as game-changing research institutions was demonstrated in April 2015 when the University became a founding member of The Alan Turing Institute. This UK-wide venture seeks to become a world leader in the understanding and application of large-scale digital data. The Institute aims to facilitate knowledge and predictions from large-scale and diverse digital data to help make discoveries, create business opportunities, inform policy making, improve our environment, health and infrastructure, and accelerate solutions to global challenges. Researchers from Edinburgh's Schools of Informatics and Mathematics will work with the universities of Cambridge, Oxford, University College London and Warwick, who are also founding members of the Institute. The Institute is being funded over five years with £42 million from the UK Government and further funding from the five University partners.

### The student experience

The National Student Survey showed that overall satisfaction levels were up, and have risen steadily across almost all of the main areas explored. Significant improvements were noted in the key area of Assessment and Feedback, but we are far from complacent and continue to seek further progress vigorously.

Two major projects focused on the student experience drew to a close; the Enhancing Student Support Project, which established the University's Personal Tutor System; and the three year Student Experience Project. Following a formal evaluation, a number of key activities in these projects were awarded longer-term funding and have become mainstreamed into the ordinary business of the University, this included the very successful peer support scheme delivered by EUSA.

Further innovations based around the student experience helped to improve the information available to students about their courses and programmes. The University built on its previous work in relation to feedback and assessment by running audits in several Schools, piloting online tools for feedback and assessment, and by strengthening regulations on the provision of feedback to students.

Supporting our students' personal, professional and career development continues to be an important area of work. The University led the way in innovative approaches to learning through a pilot scheme of credit-bearing, self-directed courses intended to help students to develop their own set of skills and attributes. More than 750 students successfully completed an Edinburgh Award in 2014/15, which demonstrates the appetite that our students have for personal development. The Award supports students engaged in more than 30 areas of activity, including volunteering, work experience, peer support and sustainable development. Meanwhile our new Creative and Cultural Careers Festival won a national Award for Employer Engagement. Its success has been based on its vision of connecting students with industry-leading creative practitioners, informing them about opportunities in the sector and inspiring them with stories of student success.

The University continues to deliver more services to students online. An Applicant Portal was developed that enables postgraduate applicants to view the progress of their application and amend their details without the need to contact our admissions offices. Current students can now download a range of documents, such as proof of enrolment, any time and on any device. Further enhancements have been made to our course information system.

### Global impact

It is always pleasing to see the University perform strongly in international league tables, reinforcing our ranking as one of the leading global universities. In addition to the QS World Rankings placing Edinburgh consistently in the world's top 25 universities, Edinburgh was ranked 24th in the Times Higher Education World University Rankings in 2015.

The University's internationalisation strategy, Edinburgh Global, aims to attract able minds from across the world, provide students and staff with a world-class experience, and ensure that teaching and research delivers global benefits. The over-arching aims are developing high-quality research and teaching partnerships; enhancing international student and staff recruitment; engaging with alumni worldwide; and supporting our international students at Edinburgh.

The unveiling of the new Zhejiang-Edinburgh Institute took place at a ceremony in Hangzhou, China, in July 2015. The ceremony was opened by the President of Zhejiang University, Zhaohui Wu, who emphasised the unique nature of this exciting venture. Its goal is to establish an institute that aims to deliver China's first joint undergraduate degree programme in biomedical sciences and also a research institute with postgraduate MSc and PhD programmes. Under this new initiative, a teaching programme and research facility will be developed on a new international campus at Haining.

The University's liaison office in New York City, opened in November 2014, is another outstanding example of Edinburgh Global in action. The office will aid collaboration between the University and its partners in education, business and government across the US and Canada. It will also strengthen ties with Edinburgh alumni in North America and provide a point of contact for prospective students. The office, at Rockefeller Plaza, is the University's fourth overseas base, complementing existing outlets in India, China and Latin America.

The BiGGAR study, Economic Impact of the University of Edinburgh, demonstrates how the University creates benefits and impacts for the economy. In the academic year 2013/14, the University supported £4.9 billion Gross Value Added (GVA) and more than 44,500 jobs globally; £4 billion GVA and nearly 41,700 jobs in the EU; and £3.3 billion GVA for the UK economy and 36,960 jobs.

### Lifelong community

The University supports more than 40 class reunions each year, and works hard to help graduates keep in touch. Highlights of an Alumni Weekend in June included three days of inspiring talks, including a public lecture from honorary graduate and Channel 4 news anchor Jon Snow on the future of journalism in a shifting media landscape. The General Council also hosted a number of events over the weekend including a lunch and lecture by alumna Dr Hermione Cockburn, Scientific Director of Our Dynamic Earth. Alumni were granted exclusive access to the old Medical School and Anatomical Museum, as well as a demonstration of the FloWave facility at King's Buildings, a visit to the Rushbrooke Fire Laboratory and an event celebrating 50 years of the Higgs boson.

We greatly appreciate the donations and awards that our alumni and friends make. This is an important source of revenue to support education and research. New gifts totalled £17.8 million last year, an increase of 37 per cent on 2013/14. The University will launch a year-long campaign on 1 December 2015, The Big Leap, to encourage staff, students, alumni and the community to invest a day into fundraising for charity.

### Social responsibility and sustainability

Record numbers of staff and students participated in the University's Sustainability Awards, with more than 40 departments being recognised for their innovation and achievements. The University has been announced as a finalist in two categories of the Green Gown Awards for our sustainable laboratories and for student engagement that inspires action in social responsibility and sustainability.

The University's Sustainable Laboratories Steering Group provides a strategic approach to laboratory management that helps to identify opportunities to improve energy usage, cold storage, resource efficiency, and space management.

The University is working to develop a revised Climate Strategy that will address the issue of carbon emissions. It is a partner in Edinburgh's first electric bike sharing scheme, eCycle. To support the wider use of electric vehicles, the University has installed charging stations. During 2014/15 the University has continued to replace combustion engine vehicles in the University fleet with electric and hybrid vehicles. As well as cutting the University's carbon footprint, these new vehicles are cheaper to run and help to reduce noise pollution.

Efforts to increase the amount of waste that we reuse has resulted in new partnerships with charities and local organisations such as the British Heart Foundation, Bright Green and Remade in Edinburgh. More than 100 tonnes of items were donated to charities as part of a 140 per cent increase in waste re-usage compared with the previous year.

### Partnership

We are privileged to be at the heart of Edinburgh's festivals, which are among the world's greatest celebrations and explorations of human intellect and creativity. Focusing on art, science, film, media, literature, music, and technology, the festivals enable our academics and students to showcase some of their fascinating thinking and cutting-edge research.

Among this year's highlights was Towards Dolly, an exhibition at the University Main Library that chronicled a century of genetics research in Edinburgh by highlighting rare books, archive documents, pictures, sound and film clips from the University's Special Collections. A rare insight into Edinburgh's history was revealed when a letter written in William Burke's blood went on public display for the first time in living memory as part of the University's One Last Fright weekend, part of the Scotland-wide Festival of Museums.

For a second year the University partnered with the Edinburgh International Film Festival to host a series of outdoor film screenings in the Old College Quadrangle. An eclectic mix of 16 films was shown over five days, and showcased the wonderful work of our students and staff at Edinburgh College of Art.

### Equality and widening participation

The University has a long history as an accessible and inclusive institution, since its earliest days as a civic university. We are making progress towards achieving our five Equality Outcomes for 2013-2017 and in mainstreaming our equality duties. The positive impact of the benefits this brings to staff and students has been highlighted as good practice by the Equality & Human Rights Commission.

The University has been a member of the Athena SWAN charter since 2006 and in 2015 became the first in Scotland to receive an Institutional Silver Award. We are members of the Equality Challenge Unit's Race Equality Charter scheme and have developed an ambitious action plan to embed race equality across the institution.

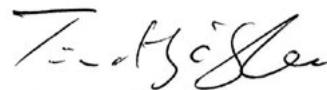
We are contributing to the University's wider social objectives, such as addressing high unemployment among young people. This is taking place through active promotion of apprenticeships and the Edinburgh Guarantee, a city-wide initiative that aims to support Edinburgh's young people into employment, education or training.

The University has a long-standing commitment to Widening Participation. We were one of the first in the UK to introduce the use of contextual data in admissions to ensure that we give appropriate recognition to applicants who have the potential to be successful in their studies despite having experienced the greatest socio-economic disadvantage. In 2014/15, 55 per cent of our Scottish domiciled entrants had one or more widening access characteristic – up from 45 per cent for the previous year.

We offer financial support to enable students to focus on their studies, while buddying and mentoring programmes help students get the most from the university experience. The university's Widening Horizons project, which gives WP students an immersive study abroad experience was shortlisted for a Times Higher Education Award in 2014.

### The future

It is very pleasing to see that it has been another busy and successful year for the University. Thank you to everyone who has made this such a successful year and I look forward to working with the University community to make next year even better.



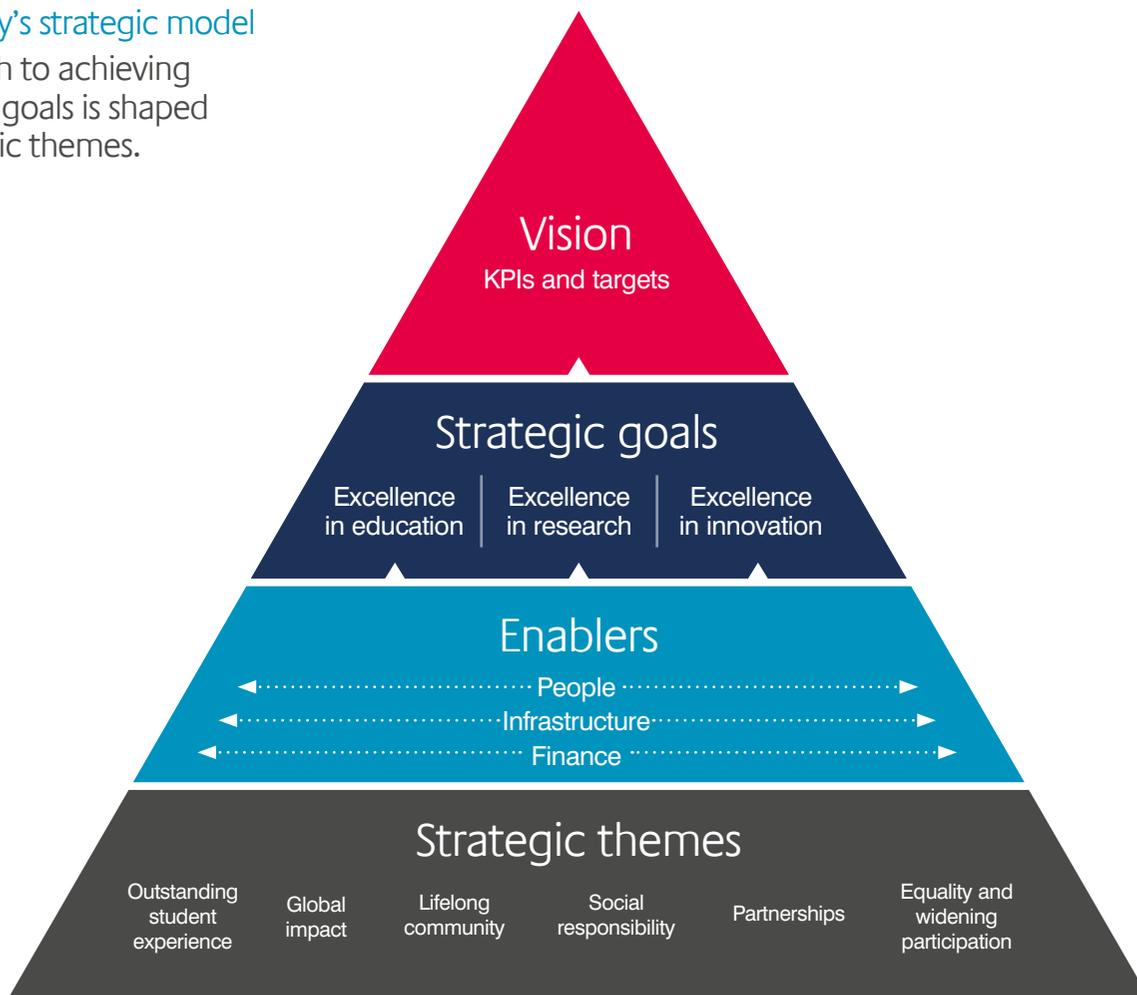
**Professor Sir Timothy O'Shea**

Principal and Vice-Chancellor

# 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 14 subsidiary companies.

2014/15	Staff numbers	Student numbers	Expenditure £m
College of Medicine & Veterinary Medicine	2,733	5,412	199
College of Science & Engineering	2,945	8,376	182
College of Humanities & Social Science	3,338	21,467	140
University Secretary's Group	846	-	42
Corporate Services Group	2,400	-	133
Information Services Group	717	-	40
Corporate Group	-	-	57
<b>Total</b>	<b>12,979</b>	<b>35,255</b>	<b>793</b>

# World leading research

The results of the 2014 Research Excellence Framework reveal that 83 per cent of the University's research activity is in the highest categories - 4\* and 3\*- which are classified as 'world-leading' or 'internationally excellent'. Based on the quality and breadth of its research, Edinburgh has been rated fourth in the UK and by far the most successful university in Scotland.

"Research at the University is constantly expanding the depth of human knowledge and making an impact on the wider world – whether it be improving the effectiveness of youth justice policy and practice, or shaping the technologies used to manage the world's data. Our outstanding researchers enable us to forge links with charities, businesses, policy makers and other universities, so that together we can tackle long-standing challenges at home and overseas."

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



# Strategy and value model

## (continued)

### Our value model

The University creates value for society through its relationships with students, research funders, businesses, the health service, governments, alumni, benefactors and global and local 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 makes a substantial contribution to social and cultural enterprise, to the economy, and to the health of societies across the world. We generate £3.3 billion annually for the UK economy, of which £2 billion is generated for Scotland, at return of £9.53 for every pound of public funding received from the Scottish Government. We will continue contributing to finding solutions to the major global challenges. Our mission and identity attracts collaborators, partners and philanthropic investors who share our ambitions and goals. The academic work of the University in creating, disseminating and curating knowledge comprises three interdependent streams of activity: education, research and innovation. These activities generate impact on societal needs which is reflected in our reputation, research awards and by student demand.

### Research

Successful, sustainable research requires a critical mass of human insight and excellent physical infrastructure at its core to provide the platform for dynamism and impact. Research funding is secured through the dual funding mechanism from UK and Scottish governments (Research Councils and Research Excellence Grant) and from competitive industry, public and charitable sources in the UK and internationally. The dual funding mechanism directly reflects the regular independent assessment of research quality and impact led by the four UK higher education funding bodies. The most recent exercise, the 2014 Research Excellence Framework, showed Edinburgh to be 4th in the UK for the quality and volume of our research. We have demonstrated particular strengths across the breadth of our disciplines, including Law, Informatics, and Veterinary Medicine. Our ability to continue to deliver value from our research depends on the diversity and quality of the academic staff the University attracts and the volume, quality and relevance of the knowledge they generate. The Research Excellence Framework assessed the contribution that the knowledge we generate makes to wider society as well above the UK average, with 56 per cent of the research impact we produce rated at the highest quality level. Research can be conducted by individuals or teams but is increasingly characterised by interdisciplinary, multi-institution collaborations and partnerships with companies and industry.

# 83%

The proportion of the University's research activity classified as 'world-leading' or 'internationally excellent' in the the 2014 Research Excellence Framework results.

### Education

Delivering value in our learning and teaching model requires that we communicate our distinctive offer to prospective students and recruit those who will most benefit from learning within our research- and practice-rich programmes. As we believe that diversity is educationally as well as socially desirable, enriching the educational experience for all, we seek to attract a wide range of applicants from different social, cultural and educational backgrounds.

Our programmes depend on effective learning materials and learning platforms (physical and online), and the delivery of inspiring teaching and informative assessment and feedback. Beyond their programme-based learning, the wider student experience creates avenues for students to prepare for life beyond their studies. Our students benefit from the recognition of a range of activities from international experiences, volunteering and work experiences, and have the chance to develop their skills through peer-to-peer support and outreach projects. We create graduates who have the confidence and expertise to achieve their full potential – and 93.5 per cent of our graduates go on to employment or further study. Teaching and learning is supported through government grants, tuition fees, contracts and through the generous donations of alumni and philanthropists. We support our students through bursaries and scholarships, including £10 million scholarships for students from low income families.

# 84%

Overall student satisfaction levels as measured in the National Student Survey rose to 84 per cent in 2015.

### Innovation

Commercialising the intellectual property generated from the University's research through spin-outs and licensing technologies to existing companies is one important route to exchanging our knowledge and expertise with the wider world. Through commercialisation of our research, last year we filed 41 priority patents and signed 49 revenue-bearing licences. Equally importantly, we support our academics in creating impact through public engagement, influencing government and other public policy debates, and working with cultural institutions. Our researchers collaborate with a wide range of organisations including the UK and Scottish Governments, national museums and galleries and international businesses to transform the knowledge they create into benefit to society, the economy and culture. Edinburgh researchers have demonstrated that the national smoking ban has led to reductions in still births and child hospital admissions; they have created proteins that will lead to slower melting ice creams; and their research has contributed to theatrical productions about censorship in East Germany. We are partners in the Alan Turing Institute, a UK-wide multi-university collaboration with industry. The Institute aims to be a world leader in the understanding and application of large-scale digital data and will enable digital data based knowledge and predictions to make discoveries, create business opportunities, inform policy making, improve our environment, health and infrastructure, and accelerate solutions to global challenges.

# £164m

The gross value added to the UK economy by University spin-outs and start-ups in 2014, as reported by BiGGAR Economics in May 2015.

## 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).

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

N/A Not available   ↑ Increasing   ↓ Decreasing   ↔ Maintaining

Strategic goal	KPIs	Status	Targets	Red/amber/ green status
Excellence in education	Proportion of leavers achieving a successful outcome (degree, transfer or other award)	↑	Increase student satisfaction with academic and pastoral support	A
Excellence in research	Russell Group market share of research income (spend)	↑	Increase student satisfaction with opportunities and support for developing graduate attributes and employability	A
Excellence in innovation	Knowledge exchange metrics: number of disclosures, patents, licenses and new company formations	↓	Increase average number of PhD students per member of academic staff to at least 2.5	A
			Increase score for the citations-based measure in the THE World University Rankings to at least 94/100	G
			Achieve at least 200 public policy impacts per annum	G
			Increase economic impact, measured by GVA, by at least 8%	G
Enablers	KPIs	Status	Targets	Red/amber/ green status
People	Proportion of staff who have had an annual review within the previous year	↑	Achieve the institutional Athena SWAN Silver award	G
Infrastructure	Total income per square metre of gross internal area*	↑	Increase number of international applications for academic posts	A
			Increase average number of international applications for academic posts advertised	A
Finance	Operating surplus as a % of turnover	↑	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	A
			Increase student satisfaction with learning resources (library, IT resources, study space and equipment) to at least 85%	G
			Increase our total income per staff full-time equivalent (FTE) year-on-year, aiming for an increase of 10% in real terms	A
			Increase our Return on Capital Employed (ROCE)	A
Strategic themes	KPIs	Status	Targets	Red/amber/ green status
Outstanding student experience	Proportion of graduates (undergraduate and postgraduate) in graduate-level employment or further study	↑ Undergraduate	Increase the level of overall satisfaction expressed in responses to the NSS, PTES and PRES student surveys to at least 88%	A
		↑ Postgraduate taught	Increase the number of our students who have achieved the Edinburgh Award to at least 500	G
		↑ Postgraduate research	Create at least 800 new opportunities for our students to gain an international experience as part of their Edinburgh degree	A
Global impact	Proportion of international students from beyond our five most well-represented countries	↑	Increase our headcount of non-EU international students by at least 2,000	G
			Increase our research grant income from EU and other overseas sources so that we enter the Russell Group upper quartile	G
			Increase our number of masters students on programmes established through our Global Academies by at least 500	A

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

# Strategy and value model

(continued)

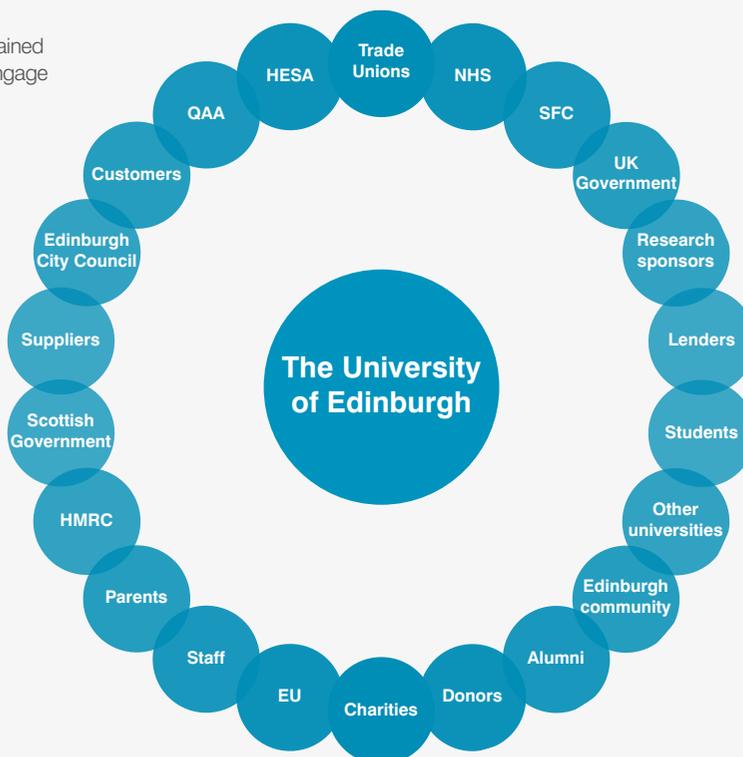
## Strategic plan (continued)

N/A Not available   ↑ Increasing   ↓ Decreasing   ↔ Maintaining

Strategic themes	KPIs	Status	Targets	Red/amber/green status
Lifelong community	Physical and virtual footfall	↑ Physical footfall	Increase the number of active alumni engagements with the University via the Alumni Services website, social media and e-newsletters	G
		↓ Virtual footfall		
Social responsibility	Reduction in carbon emissions per £ million turnover	↑	Reduce absolute CO <sub>2</sub> emissions by 29% by 2020, against a 2007 baseline (interim target of 20% savings by 2015)	A
Partnerships	Number of our research publications which are internationally co-authored	↑	Increase our number of PhD students on programmes jointly awarded with international partners by at least 50%	G
	Proportion of our research publications which are internationally co-authored	↑		
Equality and widening participation	Undergraduate entrants from under-represented groups	↑ Widening participation	Converge on our state schools and colleges participation benchmark	A
		↓ Low income households	Increase the proportion of female academic staff appointed and promoted to lecturer, senior lecturer, reader and professor levels	A
		↑ Ethnicity	Converge on our low social classes participation benchmark	A
		↔ Disability	Reduce the gender pay gap for University staff	A

## Our stakeholders

The University has a complex group of stakeholders who are critical to its sustained progress. Considerable resources are invested each year to ensure that we engage with every stakeholder group listed here to listen to their needs, manage their expectations 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 22 June 2015 and aligns with the University's *Strategic Plan 2012-16*.

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 always subject to ensuring that potential benefits and risks are fully understood before developments are authorised, and that sensible measures to mitigate risk are established.

## Our appetite for risk



# 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	A decline in the quality of the student experience could damage 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>Cross-departmental implementation of Enhancing Student Services projects and Personal Tutor structures.</li> <li>Improvement of study and social spaces through the Estates Plan.</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.</li> <li>Edinburgh Research and Innovation has provided enhanced support to promote and enhance commercial engagement.</li> </ul>
●	2020 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, based on a thorough analysis of the 2014 REF assessment.</li> </ul>
●●●	Technology and systems developments	Insufficient investment and weak coordination of investment in Information and Communications Technology (ICT) infrastructure, systems development, and information services provision across the University.	<ul style="list-style-type: none"> <li>An ICT infrastructure review has put in place a five year road map to invest in a capital programme that will maintain core capability and expand current services to meet growth and development demands.</li> </ul>
●●●	Strategic developments – change management and projects	Insufficient capability or capacity and inadequate management of work priorities, to successfully implement strategic developments and projects, will impact on the success of the University and its ability to meet strategic objectives.	<ul style="list-style-type: none"> <li>Three year business planning processes to aid management of multi-year projects with annual planning and budgeting processes and quarterly reviews of financial forecasts.</li> <li>Senior management provide oversight of major change management projects.</li> <li>Guidance on major projects and 'Projects' website.</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 is implementing the Estates Strategy and Development Programme developed from the 2025 Vision for the estate.</li> <li>Capital building programme projects and other new build and refurbishment projects addressing long-term maintenance needs.</li> <li>Utilising a full updated condition and compliance survey to determine maintenance and compliance programme.</li> </ul>
●●●	Retain or attract sufficient key staff	Inability to retain, attract, and develop key staff.	<ul style="list-style-type: none"> <li>Promote the University as a globally significant institution.</li> <li>Induction, learning and development and annual review of staff at all levels.</li> <li>Reward excellence and success.</li> <li>Evidence-based pay analysis, retention framework and contribution pay.</li> </ul>

Strategy	Risk area	Risk description	Risk management
● ● ●	Loss of sensitive data	The loss, theft or misuse of sensitive data could result in significant reputational and financial loss to the University.	<ul style="list-style-type: none"> <li>• New and revised policies, guidelines and codes of practice on data security have been promoted through staff communication and awareness raising.</li> <li>• Implementation of improved real-time monitoring of University data networks.</li> <li>• Raising awareness of personal digital security responsibilities.</li> <li>• Review of desktop anti-virus implementation.</li> <li>• Enhanced data and document management and additional resource for information governance.</li> </ul>
● ● ●	Government policy and legislation	Changes in government policy in matters related directly or indirectly to higher education can impact the University's activities.	<ul style="list-style-type: none"> <li>• Constructive engagement directly and via Universities Scotland and Universities UK with Scottish and UK policy development processes.</li> <li>• Provide responses both directly and through Universities Scotland, Universities UK and the Russell Group, to governmental consultations related directly and indirectly to the higher education sector.</li> <li>• Ensure that implications for the University of potential regulatory changes are understood by policy makers.</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>• Extensive mapping of all academic policies and practices to the QAA UK Quality Code.</li> </ul>
● ● ●	UK immigration policies and practice	Changes to UK immigration policies and practice and their inadequate implementation by the University risks financial and legal penalties, reputational damage, loss of international staff and students.	<ul style="list-style-type: none"> <li>• The Home Office Management Group regularly reviews policies and procedures connected with the University's licence and ensures compliance.</li> <li>• A rolling audit of compliance across the University is in place.</li> </ul>
● ● ●	Financial sustainability	Failure to maintain financial stability and sustainability (in particular solvency and liquidity) would undermine the delivery of our strategic ambitions.	<ul style="list-style-type: none"> <li>• The University mitigates these risks through implementation of the Finance Strategy.</li> <li>• The Finance Strategy includes financial planning, budgetary processes and a ten year forecast informed by an integrated financial model of the University including key assumptions on income and expenditure as well as their interdependencies. The ten year forecast is reviewed quarterly and presented to Policy and Resources Committee and University Court for scrutiny and approval. In addition the ten year forecast includes 'stress testing' using modelled scenarios to show the impact of certain risks crystallising during the term.</li> <li>• Financial control is exercised by the University Court, acting through the Policy and Resources Committee and Central Management Group. Formal meetings are augmented by the Principal's Strategy Group and the Strategic Finance Group.</li> <li>• Estates Committee has focus on planning and managing the capital building and recurrent maintenance programme to ensure a sustainable university estate.</li> </ul>

# Financial review

The 2014/15 results show another strong financial performance as we conclude the third year of our 2012-16 Strategic Plan. We have increased student numbers, invested in improving the student experience, increased the volume and quality of academic staff and sustained high quality research activities.

## Annual accounts

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

Income from a claim under the Research Development and Expenditure Credit (RDEC) tax rules has been treated as an exceptional item and is not considered in the comments, values and percentages quoted in this review unless otherwise stated.

In an increasingly competitive environment we are pleased to have increased income by 4.9 per cent, and generated an operating surplus of 3.1 per cent, both of which underline the quality of our financial sustainability and demonstrate how the University is again well placed financially to deal with its short and longer term commitments.

## Future health

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

## Summary financial position

	2015			2014 £m	% of income		
	RDEC £m	Total £m			2015 Ex.RDEC	2015	2014
Income	819	22	<b>841</b>	781			
Expenditure	793	-	<b>793</b>	747			
Operating surplus	26	22	<b>48</b>	34	3.1%	<b>5.7%</b>	4.4%
Other items	(2.0)	(5.0)	<b>(6.9)</b>	(3.0)			
Surplus retained within general reserves	24	17	<b>41</b>	31	2.9%	<b>4.9%</b>	4.0%
Fixed assets			<b>1,578</b>	1,421			
Endowment assets			<b>317</b>	298			
Net current assets			<b>211</b>	217			
Creditors over one year			<b>(93)</b>	(107)			
Pension liabilities and provisions			<b>(122)</b>	(113)			
Net assets			<b>1,891</b>	1,716			

	2015 Actual	2014 Actual	Red/ Amber/ Green Status	HEFCE sector forecast for 2014/15*	Comment	2016 Forecast	2017 Forecast	2018 Forecast
Total income £m	819	781	<span style="color: green;">G</span>		Total income has grown by 4.9 per cent.	<span style="color: green;">G</span>	<span style="color: green;">G</span>	<span style="color: green;">G</span>
Historical cost surplus** as % of income (inc. RDEC)	6.5%	5.2%	<span style="color: green;">G</span>	4.6%	Forecast reduction reflects reduced government funding while alternative sources are developed.	<span style="color: orange;">A</span>	<span style="color: orange;">A</span>	<span style="color: green;">G</span>
Discretionary reserves (excluding pensions) as % of income	85.6%	82.3%	<span style="color: green;">G</span>	66.3%	The position of University reserves is strong and forecast to remain significantly above benchmark.	<span style="color: green;">G</span>	<span style="color: green;">G</span>	<span style="color: green;">G</span>
External borrowing as a % of income	11.2%	13.4%	<span style="color: green;">G</span>	28.8%	The University finance strategy is to use balance sheet capacity and historic low interest rates to secure estate investment.	<span style="color: green;">G</span>	<span style="color: orange;">A</span>	<span style="color: orange;">A</span>
Net liquidity days	178	194	<span style="color: green;">G</span>	113	We will manage liquidity down to tighter terms as we invest to remain competitive.	<span style="color: green;">G</span>	<span style="color: green;">G</span>	<span style="color: green;">G</span>
Staff costs as a % of income	54.4%	52.5%	<span style="color: green;">G</span>	54.8%	Staff costs are managed within a tightly controlled range.	<span style="color: green;">G</span>	<span style="color: green;">G</span>	<span style="color: green;">G</span>
Net cash inflow from operating activities as % of income	4.5%	6.7%	<span style="color: orange;">A</span>	8.1%	Our investment plan will absorb cash as we invest in the student experience and research infrastructure.	<span style="color: orange;">A</span>	<span style="color: orange;">A</span>	<span style="color: orange;">A</span>

\*HEFCE, *Financial Health of the higher education sector 2014/15 to 2017/18 forecasts* (November 2015)

\*\*Institutions have discretion as to when to make revaluations and to what extent. For this reason, historical cost surplus as a percentage of income is reported as this measure provides a better comparison of performance against the sector.

# £1.5 billion

The value of our ten-year estates programme.

## Investing in a world-class estate

We are extremely proud of our ambition to create a world-class estate for a world-class university and will deliver this over the next decade through our exciting £1.5 billion programme of new buildings and refurbishment of the existing physical estate. Our vision is to create compelling co-designed learning spaces that will enhance the student experience as well as delivering world-class research facilities served by effective infrastructure and equipment. Capital investment in our physical estate was £58 million in 2014/15 and spend on approved projects is forecast to average greater than £100 million over the next six years. As this is a snapshot at the beginning of the ten year estates plan, the percentage of projects at the proposed stage of development is more than 50 per cent of the cumulative £1.5 billion total. Projects at the proposed stage will be converted into approved projects as we progress through the ten year period. The scale and speed of our investment plans will not only result in a transformational change for the University but will also make a positive economic contribution locally and nationally with the support of hundreds of associated jobs as we deliver our ambition.

We are mindful of our heritage and leading position in Scotland's capital city, and while buildings from several centuries ago require substantial levels of investment to operate at a high level, we will continue to balance this need with the demands of the future. Our Estates Strategy will deliver a sustainable, integrated estate which exceeds expectations, responds to changing student and staff needs, and ultimately, showcases the University and Edinburgh to the world.

## Funding strategy

As in previous years, our funding strategy for estate investment has been to use operating surpluses and cash reserves to leverage external grants and donations. In addition to this, the University Court (September 2015) approved a plan to raise long-term debt to facilitate delivery of our Estates Strategy over the next ten years. The University is in advanced discussions to secure a substantial long-term debt facility that will provide additional working capital required to finance our Estates Strategy.

The table below presents the modelled impact of new debt from 2015/16 on the key financial metrics of interest cover and gearing ratio. This is only one of many modelled scenarios but is indicative of the central case we are developing.

## Interest cover & gearing plan

	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Interest cover (expressed as a multiple)	3-4	2-3	2-3	2-3	2-3	3-4	3-4	4-5	5-6	5-6
Gearing (gross borrowing as % of reserves including endowment funds)	16-18%	18-20%	22-24%	24-26%	22-24%	22-24%	20-22%	18-20%	16-18%	16-18%

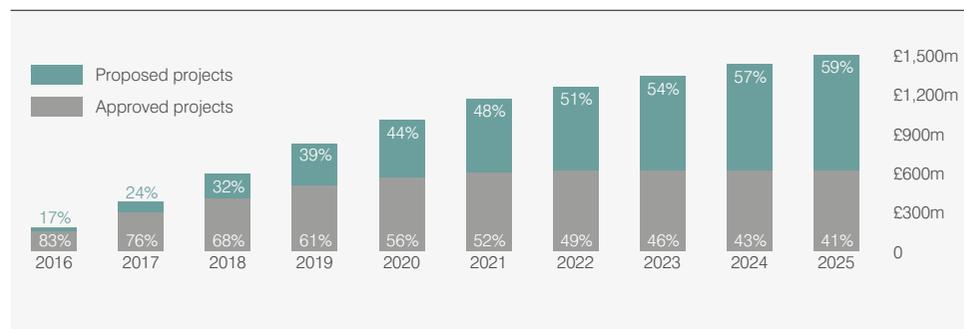
## Estate programme - major projects at design stage



	Campus	Projected value £m
Biology Buildings Programme	B	140
Data Technology Institute	B	41
Redevelopment of the Edinburgh Law School	A	35
Buccleuch Place and Meadow Lane Accommodation	A	30
Redevelopment of the David Hume Tower	A	30
Renovation of ECA Main Building	A	25
Large Animal Research and Imaging Centre	D	25
New Anatomical Science Building	A	24
Redevelopment of St Cecilia's Hall	A	7
Remodelling of the Clinical Research Imaging Centre	C	8
Redevelopment of various buildings at the Pleasance	A	6
Construction of Theatre Surgery Block	D	4

See Table 11, page 21, for major projects completed, commissioned and under construction in the year

## Estate programme - indicative forecast project spend (cumulative)



# Financial review

## (continued)

# £305m

The value of new research grant awards in 2015 was £305 million.

### Income

Our continuing programme to recruit key academic staff has again supported our targeted increase in group income which increased by 4.9 per cent (£38 million) from the previous year. Income per staff FTE (full-time equivalent) increased by 0.9 per cent in 2014/15.

Apart from a small reduction in Funding Council grants income of 0.2 per cent, all other areas of income increased in comparison with the 2013/14 figures. Included in Endowment and Investment Income, the difference between the expected return and actual return on pension scheme assets reduced to £3.3 million (from £4.5 million).

### Scottish Funding Council (SFC) grants

Funding council grants stayed flat, although there were significant offsets underlying the position.

- Teaching (-£3.8 million) reflecting the third and penultimate year of phased withdrawal of funding for rest of the UK (RUK) undergraduate places;
- Research remained level with the previous year;
- Other (+£2.9 million) reflecting the increase in capital building refurbishment funding year on year.

### Tuition fees and education contracts

Our student population grew by 6.5 per cent in the year to 35,255 [Table 1]. Postgraduate students account for 34 per cent of the total student intake, and EU and international students 55 per cent of postgraduates. We have exceeded our strategic target to increase non-EU student numbers by 2,000 during the period of our plan; the number rose by around 2,500 in the last three years.

We saw a three per cent growth in research postgraduate students, continuing last year's trend, 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 £27.7 million in the third year of the new UK fee regime, and also reflected increases in international student numbers.

### Applications, offers and enrolments

#### Undergraduate

The University received over 57,000 applications for full time undergraduate study in the academic year 2014/15 [Table 2]. We made offers to 38 per cent of applicants and enrolled 25 per cent of offers as new undergraduate students. We have an average of 10.5 applications per place for undergraduate study, a trend that has remained strong for the last three years.

#### Postgraduate

For postgraduate study, we enrolled 4,791 students, half of whom were from outside the EU. We have an average of seven applications for every place, a metric that has remained steady for the third year in a row.

### 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 £226 million, up 4.4 per cent (£10 million from 2013/14 [Table 3]). Income from our major research funder, the Research Councils, remained level with previous year. There was a £2.2 million increase in income from Industry and Commerce, a source we aim to grow significantly in the next few years.

### Research and Development Expenditure Credit (RDEC)

In 2014/15 the University made a successful claim under the RDEC tax rules (which are designed to incentivise research and development) for the 2012/13 and 2013/14 financial years and will make a claim for 2014/15 during the next financial year. The University has recognised the income of which it is reasonably assured of receiving as £21.8 million, which appears as an exceptional item in the 2014/15 financial year and in line with guidance from BUFDG, the corresponding tax deduction of £4.9 million has been recognised in Taxation. No subsequent claims will be permitted as the entitlement for universities to claim has now been removed for the periods after 1 August 2015. There will however be further amounts recognised in 2015/16 as there is a true up between the total claims submitted and received and amounts recognised as at 31 July 2015.

Following implementation of the EU Horizon 2020 funding programme, our grant applications and awards have both increased. EU funded research increased by 10 per cent in 2014/15. Income from EU sources rose by £2.6 million and income from UK Charities grew by £1.8 million, while income from other sources increased by £2.4 million.

The value of research grants awarded was a record £305 million, up by 13 per cent on the same time last year at £270 million. The number of research applications also increased by 11 per cent to 2,476 at a value of £897 million – up by £137 million. Our success rate in converting research applications continues to exceed 40 per cent.

### Other income

Nearly a fifth of the University's income is derived from other sources. Other income (£151 million) is up two per cent from last year (£147 million) reflecting similar increases across a range of income sources [Table 5].

### Endowment income and interest receivable

Endowment income remained strong at £10.5 million, while other interest receivable of £4.1 million was down slightly on last year due to reduced interest rates. Net return on pension scheme assets fell £1.2 million in the year.

# 4.9%

We have increased our income by 4.9 per cent from the previous year.

Table 1 - Student numbers

Student numbers 2014/15	Taught undergraduate	Taught postgraduate	Research postgraduate	Total
Scotland	8,780	1,785	1,655	12,220
Rest of the UK	6,350	1,105	920	8,375
EU non-UK	2,570	945	920	4,435
International	5,395	3,300	1,530	10,225
<b>Total</b>	<b>23,095</b>	<b>7,135</b>	<b>5,025</b>	<b>35,255</b>
Year-on-year increase	6.1%	9.3%	4.6%	6.5%
Proportion	65.5%	20.2%	14.3%	

Student numbers 2013/14	Taught undergraduate	Taught postgraduate	Research postgraduate	Total
Scotland	8,670	1,770	1,660	12,100
Rest of the UK	5,680	1,040	865	7,585
EU non-UK	2,340	955	820	4,115
International	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>
Proportion	65.8%	19.7%	14.5%	

Table 2 - Student demand profile

Applications for the academic year:	2015	2014	2013
<b>Undergraduate enrolments</b>			
Total applications	<b>57,349</b>	53,036	49,108
Total offers	<b>21,664</b>	19,533	18,371
Total enrolments	<b>5,443</b>	5,304	5,115
Applicants-to-places ratio	<b>10.5</b>	10.0	9.6
Matriculation rate (enrolments / offers)	<b>25.1%</b>	27.2%	27.8%
<b>Postgraduate home and EU</b>			
Total applications	<b>7,573</b>	7,795	8,092
Total enrolments	<b>2,321</b>	2,454	2,539
Applicants-to-places ratio	<b>3.3</b>	3.2	3.2
<b>Postgraduate overseas</b>			
Total applications	<b>26,627</b>	26,177	25,908
Total enrolments	<b>2,470</b>	2,232	2,236
Applicants-to-places ratio	<b>10.8</b>	11.7	11.6

Table 3 - Research income received\*

	2015 £m	2014 £m	2013 £m	2012 £m	2011 £m
Research councils	<b>110</b>	109	97	94	84
EU and Other	<b>45</b>	40	34	30	26
UK-based charities	<b>45</b>	43	43	44	43
UK central, government bodies, local and health authorities	<b>18</b>	18	17	17	18
UK industry, commerce and public corporations	<b>8</b>	5	9	8	10
<b>Total</b>	<b>226</b>	215	200	193	181

\*Figures exclude exceptional item

Table 4 - Student numbers by level of study and college 2014/15

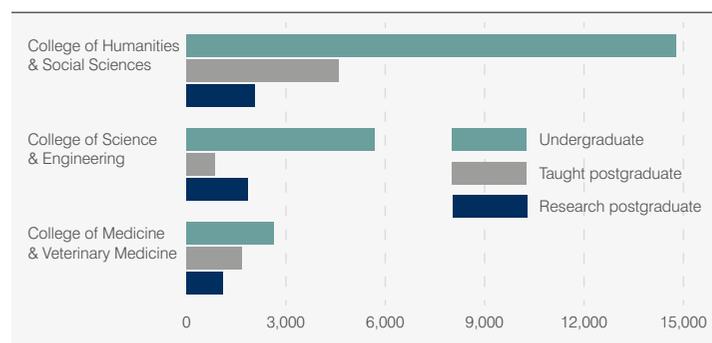


Table 5 - Analysis of other income

	2015 £m	% of Total
Residences, catering and conferences	53	35%
Specific grants, donations and other designated	36	24%
Academic and related activities	31	21%
Income generating, information services and support activities	25	17%
Other	5	3%
<b>Total</b>	<b>150</b>	<b>100%</b>

# Financial review

## (continued)

### Expenditure

Group expenditure increased year on year by 6.2 per cent, reflecting continued investment for growth.

### Staff costs

A university's most valuable resource is its staff and our salary and related costs to sustain this resource in 2014/15 was £445 million. Staff costs as a proportion of total income was up by 1.9 per cent to 54.4 per cent. This proportion of staff costs to total income reduces to 53 per cent if RDEC income is included. Nearly 40 per cent of the increase in staff costs (£13.3 million) related to academic and related support staff, with a further 26 per cent (£9.3 million) invested in research grants and contracts staff as research income continued to grow. Staff were awarded a 2 per cent pay increase on 1 August 2014. However, annual increments and increased staff numbers contributed to an 8.6 per cent increase in the total salary costs. Salaries make up 76 per cent of total staff costs with pensions, National Insurance and other employer costs comprising 24 per cent.

Since 2013 we have appointed 225 early career research Chancellor's Fellows from a total of 32 countries. In September 2015 the University Court agreed a further 30 appointments under the programme that will be focused on international and translational-industrial linkages. Up to four of these new appointments will be to support early career colleagues returning to work after a substantial (more than two year) career break for family reasons.

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 £6 million (9.5 per cent) from 2013/14. After extensive consultation the USS trustees amended the scheme benefits to ensure that the scheme remained sustainable.

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

Wherever practical the University policy in relation to staff is to:

- Develop a positive culture where disabled employees are able to develop to their full potential. It values a diverse workforce which includes the representation of disabled staff, and will continue to enhance and embed its approach to supporting disabled staff, through policy and good practice and in accordance with current legislation;
- Ensure that we provide a working environment free from discrimination, harassment, bullying and victimisation in line with the University's Equality and Diversity Outcomes and Action Plan, and Dignity and 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.

# £79m

Capital investment in the University's estate and equipment was £79 million in 2015.

As at 31 July 2015, 345 (2.7 per cent) of our staff have declared that they have a disability.

The University of Edinburgh is committed to gender equality for students and staff, particularly the career progression of female academic and professional services staff. The proportion of female staff at grade 10 increased to 27.6 per cent at 31 July 2015 (from 25.3 per cent at 31 July 2014). The proportion of female academics increased to 41.7 per cent from 40.9 per cent over the same period [Table 7].

Table 6 - Staff FTE by area

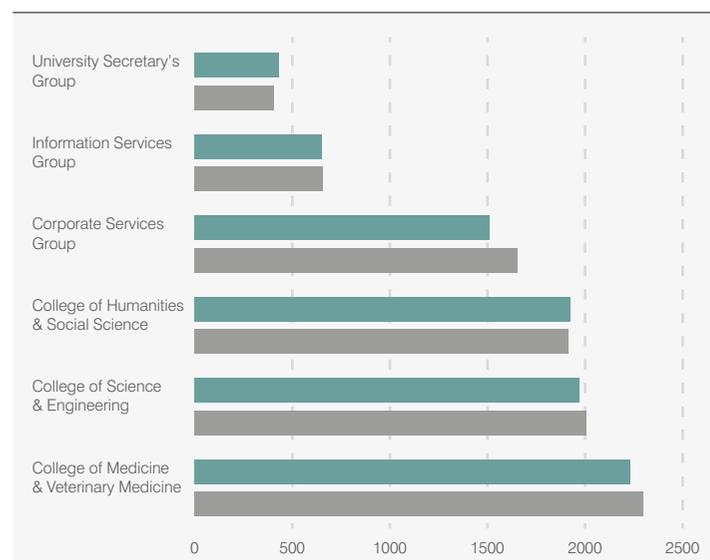


Table 7 - University Group staff gender analysis

	2015 FTE	2015 %	2014 FTE	2014 %	2015	2014
Academic	Female	42%	1,532	41%		
	Male	58%	2,213	59%		
Professional	Female	58%	3,008	58%		
	Male	42%	2,193	42%		
Grade 10	Female	28%	203	25%		
	Male	72%	598	75%		

# 85%

The proportion of procurement non-pay influenceable spend in 2015 was 85 per cent.

### Other costs

Other costs, which include expenditure on subsidiary company activities, student accommodation, bursaries, premises costs and library services, have increased by £10 million (3 per cent) from last year [Table 8]. £6 million of this is accounted for by the University's Estates refurbishment programme.

Expenditure on prizes, scholarships, studentships and bursaries remains a priority and was in excess of £26 million. The 2014/15 academic session saw over 100 undergraduate students awarded access bursaries totalling £4.8 million; 450 accommodation bursaries totalling £1.1 million; and over 400 RUK bursaries totalling approximately £1.9 million. Over 2,600 undergraduate students currently hold an Edinburgh Bursary rising from 1,500 in 2013/14.

Table 8 - Analysis of other operating costs 2014/15

	2015 £m	%
Academic and professional services	117	38%
Research	80	26%
Premises	68	22%
Residences and catering	31	10%
Subsidiaries	13	4%
Total	309	100%

### Depreciation

Depreciation over the last five years has accounted for four to five per cent of total spend (£34 million in 2014/15) but capital spend has been increasing at a faster rate, reflecting the University's commitment to investing in quality infrastructure and equipment. The depreciation charge will rise in future years as the University has adopted historic cost accounting as part of the FRS 102 transition.

### Interest payable

Interest payable is under one per cent of total expenditure and is down 1.4 per cent on last year. This decrease is mainly due to the planned repayment of a number of bank loans.

### Procurement

The University continues to look for savings and value for money opportunities to make most effective use of resources. In 2014/15 the procurement team delivered savings to the University in excess of £10 million for the third year in a row, contributing to total efficiencies of £62 million (net of VAT) over the past five years. In 2014/15 the team achieved a procurement influence of 85 per cent against £205 million of non-pay influenceable spend which was a 5 per cent improvement on the previous year. The use of eProcurement across the University continues to drive efficiencies with over 1,200 active eProcurement users per month in 2014/15 raising over 68,000 orders in-year with a net total value of £16.9 million.

Our sustainable procurement goal is to procure goods and services in ways that maximise efficiency and effectiveness while minimising social, environmental and other risks. As part of this commitment we encourage the use of supported businesses for the provision of some goods and services. A recent successful project has been the digitisation of 5,000 PhD theses for the University by Redrock (formerly Remploy).

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

### Service Excellence Programme

The University has recently started work on a Service Excellence Programme, to review and promote service excellence across professional services in the University, with a particular focus on how we ensure we get the best from the sum of our efforts in areas of work where colleagues in the Support Groups, Colleges and Schools are all playing a part.

We are undertaking this work to ensure we have the high quality, efficient services and processes that we need to sustain and enhance our ability to contribute in the future as one of the world's top 20 universities, taking account of the accelerating rate of change and rising expectations. As noted in the University's *Strategic Vision 2025* the gap is growing between the very best universities and the rest and we want to be confident that we are delivering and developing best practice in our professional services.

A Service Excellence Board has been set up with representation from all parts of the University to provide strategic guidance and governance for the Programme and to monitor delivery of individual Service Excellence projects and ensure that they deliver their planned benefits.

# Financial review

## (continued)

### Balance sheet

We are pleased to report continued strength in the University Group balance sheet. This strength was a key factor in securing long term funding from which to invest in the transformational Estates Strategy. All balance sheet financial metrics are resilient.

### Capital programme and estates maintenance

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

As part of the normal revaluation cycle as required under FRS 15 Tangible Fixed Assets, a revaluation of land and buildings was performed by Messrs Gerald Eve, Chartered Surveyors, as at 1 August 2014 and has been reflected in these accounts. As a result of this revaluation the gross value of the University Group's land and buildings increased by £49 million to £1,369 million. This revaluation will become the basis for "historic cost" under the University's adoption of the Financial Reporting Standard FRS 102 from 1 August 2015.

### Heritage assets

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

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

The Fine Art Collection and the Library Special Collections of Rare Books, Manuscripts and Archives represent approximately 86 per cent of the balance sheet value of the total Heritage Assets reported as at 31 July 2014. During the year an external revaluation exercise was carried out for these collections resulting in the total value of the University's heritage assets increasing by £29 million to £205 million.

# 10.7%

The average annual return on endowment investment over the last five years was 10.7 per cent.

### Endowment assets

Endowment assets are spread over four fund managers to diversify risk. Baillie Gifford invests in equities and bonds, Kames Capital in high yield bonds, Hermes in property and BlackRock in equities. There is also investment in property through the University subsidiary company, UoE Deaconess Ltd, which runs student accommodation at the former Deaconess Hospital.

Investment performance continues to deliver satisfactory results despite market volatility. In the year to 31 July 2015 the endowment fund unit price appreciated 5.2 per cent and together with capital growth provided an overall return of 8.1 per cent [Table 12]. The five-year fund return is 10.7 per cent per annum (ten-year: 7.6 per cent per annum).

### Responsible investment policy

The University of Edinburgh was the first university in Europe to commit to the United Nations Principles of Responsible Investment (UNPRI). Since then, we have carried out a consultation process involving students, staff and alumni to help determine how we should best take forward our commitment to responsible investment. Following a request from our Students' Association in 2015, the University set up a Fossil Fuels Review Group and this led to a decision to divest from three of the world's biggest coal and tar sands companies – Shell, RTZ and BHP Billiton. Full details of the Fossil Fuels Review 2015 can be seen at [www.fossilfuelsreview.ed.ac.uk](http://www.fossilfuelsreview.ed.ac.uk).

### Net current assets

Net current assets have decreased by £5.6 million on last year due to an increase in creditors. Current assets increased by two per cent, a £19 million rise in debtors is offset by a decrease in combined cash and investments of £10 million. Our strategy is to make our cash balances work hard before they are required to fund the long term capital plan. Current liabilities increased by about £15 million, due to increased creditors and short-term bank loans.

Table 9 - Total assets

	2015 £m	2014 £m	2013 £m	2012 £m	2011 £m
Fixed assets	1,578	1,421	1,399	1,379	1,347
Current assets	486	477	450	415	316
Endowments assets	317	298	284	238	237

Table 10 - Capital programme and estates maintenance

	2015 £m	2014 £m	Change £m	Change %
Building and equipment additions	79	51	28	55%
Capital grants received	27	27	-	-
Repairs and maintenance	38	33	5	17%
Value of buildings and equipment	1,521	1,403	118	8%

# 79%

In 2015 the proportion of staff in a pension scheme is 79 per cent.

## Pension liabilities

The University's defined benefit pension schemes (USS and SBS) continue to record deficits relative to their forecast liabilities (full details are provided in Note 31 on pages 74 to 80). Pension benefits provided by the USS scheme are changing and from 1 April 2016 a new scheme structure will be phased in for all members to address scheme deficits. The deficit on the Lothian Pension Fund (LPF) is broadly unchanged while the deficit on the Strathclyde Pension Fund (SPF) has reduced by £1.3 million.

The triennial valuation of the SBS scheme took place as at 31 March 2015. Since 2012 the fund deficit status had deteriorated by £45.7 million to £101.7 million. The main reason for the deterioration is that corporate bond yields reduced over the period and together with actuarial assumptions of increasing life expectation, increased the estimated fund liabilities compared to the level of investment return achieved. On an FRS 17 basis the fund deficit at July 2015 included in these financial statements was £104.9 million.

The USS deficit at its last triennial valuation at 31 March 2011 was approximately £2.9 billion. The 2014 valuation is not yet finalised and is under consultation in order to agree a recovery plan which will include a reduction in future benefits and increase in employer contributions. A report on the USS fund on an FRS 17 basis at July 2015 has nevertheless been produced by the scheme actuary. This valued the scheme-wide deficit at £18.6 billion (2014: £13.9 billion) and reported a funding level of 72 per cent (2014: 75 per cent).

Table 11 - Selected projects completed, commissioned and under construction during the year

Projects completed or commissioned	Projected value £m
Systems Medicine Building at the Western General Hospital	14
National Avian Research Facility at Easter Bush	9
Redevelopment of Roger Land Building at King's Buildings	8
Mary Bruck Building at King's Buildings	4
Major projects at construction phase	
Redevelopment of McEwan Hall	34
Veterinary Research Building at Easter Bush	30
Recladding of the Appleton Tower	23
Redevelopment of Ashworth Building 2 at King's Buildings	8
Infrastructure works at Easter Bush	6
Combined heat and power extension	2

Table 12 - Performance of the University's endowment assets

Year	2015	2014	2013	2012	2011
Market value £m	<b>£317</b>	£298	£284	£238	£236
Return	<b>8.1%</b>	7.6%	21.2%	1.3%	15.1%
Number of endowments	<b>790</b>	781	778	760	749
Annual expenditure £m	<b>£8.5</b>	£7.9	£8.5	£8.0	£6.0

Following a review of scheme funding, the trustee confirmed that substantially increased contributions would be required to continue to provide the existing arrangements. Below is a summary of the agreed changes that will be implemented in phases from 1 April 2016, further information is available at <http://forthefuture.uss.co.uk>.

Employer contributions will increase to 18 per cent of salaries, alongside changes to the benefits provided by USS, and increases in member contributions will increase to 8 per cent of salary.

Currently USS provides two forms of defined benefit pension; Final Salary and Career Revalued Benefits (CRB). Going forward USS will provide defined benefit pensions on a CRB basis on salary up to £55,000, alongside a new defined contribution section for members based on salary above £55,000.

The University's share of 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, however this will change from 2016/17 under Financial Reporting Standard, FRS 102.

Table 13 - Pension liabilities and active members 2014/15

Pension scheme	Assets £m	Liabilities £m	Deficit £m	Active members	Active members %
Accounted for under FRS 17					
SBS	319	(424)	(105)	2,029	20%
LGPS (SPF and LPF)	44	(51)	(7)	63	1%
	363	(475)	(112)	2,092	21%
Defined contribution treatment					
USS				6,861	68%
Other schemes incl. NEST				1,175	11%
Total members				10,128	100%

Table 14 - Endowment asset unit price movement 2014/15



# Financial review

(continued)

# 41:3

The University formed 41 start-ups and 3 spin-out companies in 2015.

### Cash movement

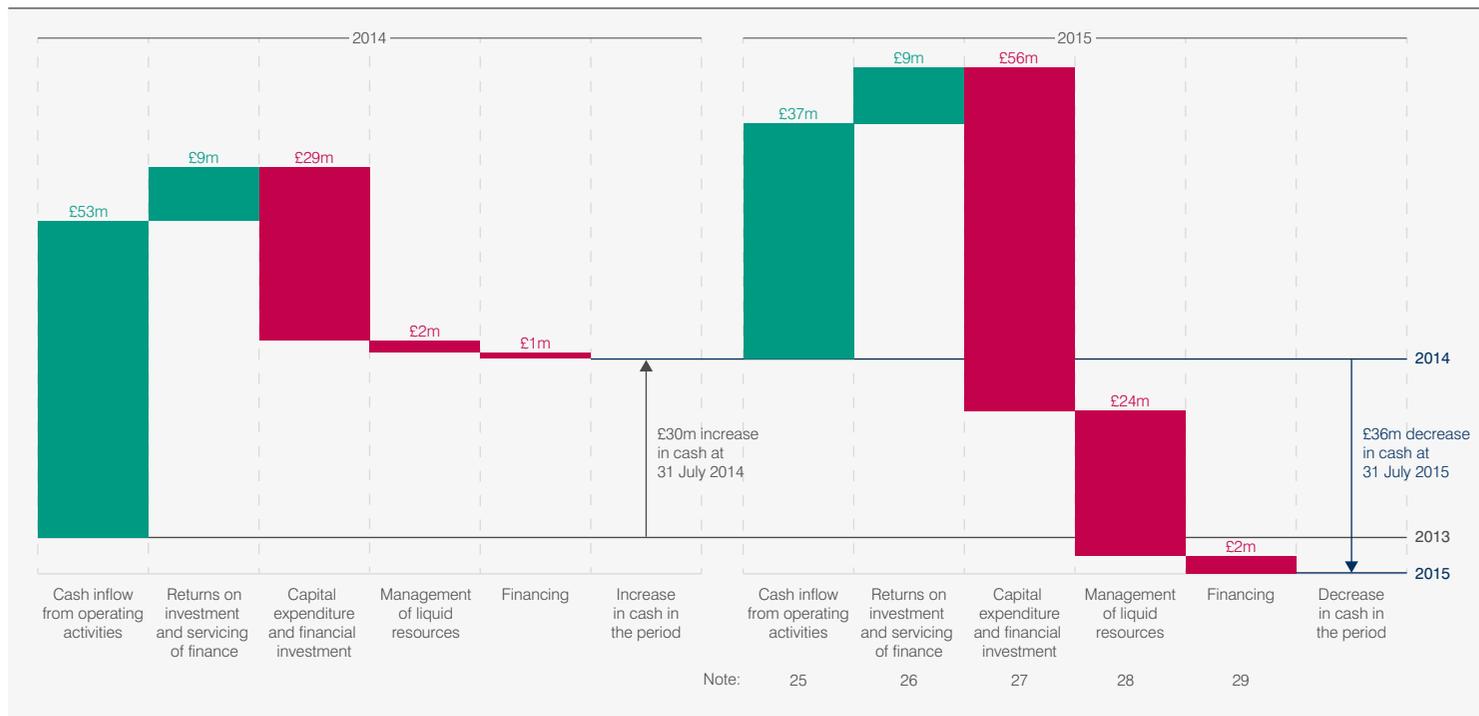
Cash is the lifeblood of the organisation and sustained focus on cash generation over several years has created a cash position that gives the University flexibility to invest strategically and support its £1.5 billion estates programme.

The University has cash commitments of over £200 million. Close to £100 million is contractually committed via leases, capital contracts and borrowings and more than £120 million relates to restricted funds not spent but provided by external funders, mainly research sponsors and donors.

Changes in cash movement for 2015 [Table 15] can be summarised as follows:

- Net cash inflow from operating activities was £16 million lower than in 2013/14. This is due to a decrease of £8 million in the operating surplus for the year (excluding the RDEC exceptional item) and working capital changes, which were £8 million less favourable.
- Capital expenditure and financial investment increased in year by £27 million reflecting growth in spend on the University's Estate Capital Plan.
- During the year £24 million in cash held at bank was moved into bank deposit investments as this will help improve our return on cash held for investment.

Table 15 - Cash movement



### Taxation

The University is an exempt charity within the meaning of the Trustee Investment and Charities (Scotland) Act 2005 and recognised as a charity by HM Revenue & Customs. Commercial trading activities undertaken by the University are operated through its subsidiary companies and attract VAT where applicable. Indirect tax (VAT) and payroll taxes (PAYE and National insurance contributions) collected and paid amounted to £6.3 million and £103 million respectively.

# 6.5%

Our student population grew by 6.5 per cent in 2015.

### Institutional sustainability

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

The annual self-evaluation progress report on the University's Outcome Agreement with the Scottish Funding Council is also reviewed and considered by Court and its committees. This progress report covers activity in support of broad outcomes, and for 2014/15 these included: industry/university collaboration, exploitation and competitiveness and research, widening access to university, learner journey and retention, equality and diversity as well as the coherence of education provision. The progress report on the Outcome Agreement sits alongside the annual report on institution-led internal review, which is part of the University's quality assurance and enhancement arrangements.

### Financial performance and sustainability

Universities have recognised for many years that an operating surplus is required to generate cash for reinvestment. With recent reductions in capital grants to the sector (the total capital grant for the 19 Scottish HEIs is now only £21 million for 2015/16) this has become even more important. The British Universities Finance Directors Group (BUFDG) has agreed that operating cash targets and outcomes should be reported using the metric EBITDA (earnings before interest, tax, depreciation and amortisation). BUFDG have described EBITDA as:

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

Our EBITDA trend shows the University's operational performance continues to be strong, particularly over the last four years [Table 16]. 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.

### Future

The University is again well placed financially to deal with its short and longer term commitments. There are a number of recent governance and reporting changes in the sector which will impact significantly the format of these accounts over the next few years. The University continues to engage with the Scottish Government on the draft Higher Education Governance (Scotland) Bill to ensure that the University maintains its current transparent and inclusive governance arrangements whilst complying with any new legislation. As part of implementing revisions to the UK Corporate Governance Code and a new draft Statement of Recommended Practice the University will report under Financial Reporting Standard FRS 102 in 2015/16.

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-Convener of Court  
07 December 2015

Table 16 - EBITDA

	2015	2014	2013	2012
	£m	£m	£m	£m
EBITDA £m	54	55	59	63

# Social responsibility and sustainability report

The University of Edinburgh aims to make a significant, sustainable and socially responsible contribution to Scotland, the UK and the world promoting health, economic growth and cultural wellbeing.

## Strategy and governance

As a global and world leading university, Edinburgh seeks to benefit society through the research it conducts, and the students who learn here and whose lives are influenced here. In addition, as a large organisation with hundreds of buildings, thousands of students and staff, with supply chains reaching across the world, the University of Edinburgh impacts people and nature through the way in which it operates and undertakes its work. Making sure that impact is a positive one is important to us.

The University's *Social Responsibility and Sustainability Strategy 2010-2020* sets out a whole institution approach based on:

- Learning and teaching
- Research and knowledge exchange
- People, services and infrastructure

Overall governance responsibilities sit with the Social Responsibility and Sustainability (SRS) Committee which succeeded the former Sustainability and Environment Advisory Group (SEAG) in 2015. The scope and remit for the SRS Committee were reviewed during the last year, recognising that in addition to the sustainability and environmental topics, the Committee's scope would also include fair employment, equality and diversity issues, access to education, widening participation issues, community relations and public engagement. Through engagement with both the University and local communities, government relations and partnerships, we seek to understand the social responsibility and sustainability issues that are important to our stakeholders and to the long term success of the University.

The University is a founding member of the Universities and Colleges Climate Commitment for Scotland and our ambitious Climate Action Plan is being reviewed in 2015. The University has had a Climate Action Plan since 2010 with associated carbon reduction targets. However, the absolute target has not been met as the University's estate has grown through mergers and the University now intends to review and refresh its Plan accordingly.

In line with our commitments to responsible investment, a 2015 review resulted in a change of fossil fuel investment policy and a decision to divest from three of the world's biggest coal and tar sands companies. Our policy underlines our commitment to use the leverage of our investments to bring about positive change that reduces carbon emissions in fossil fuels and other sectors, and to press further with our world-leading research activities that actively contribute towards the development of low carbon technologies. We seek to harness the expertise of the University's many academics currently conducting ground-breaking research into areas such as carbon capture and storage and renewable energy.

The importance of social responsibility as a strategic priority was recognised through the establishment of the Department for Social Responsibility and Sustainability in 2013. High quality and impactful programmes continue to catalyse action and collaboration across campus and support the University in achieving its Social Responsibility and Sustainability Strategy. Priority programme areas include: energy engagement and communications; resource efficiency; sustainable laboratories; as well as fair trade and sustainable procurement. Throughout our programmes we seek to develop a 'Living Lab' approach across campus to link research and learning opportunities to practical operational issues.

The efforts of staff and students in making a positive contribution towards society and the environment continued to be recognised throughout the year. Record numbers of staff and students participated in the University's Sustainability Awards, with over forty departments being recognised for their innovation and achievements at the fifth annual awards ceremony in April 2015.

## NUS Green Impact Awards 2015

The efforts of staff and students were celebrated by the National Union of Students with Net Impact Edinburgh winning the NUS Innovation for Engagement Award for running the Edinburgh Sustainability Jam. David Somervell won the NUS Lifetime Achievement Award for service to sustainability and student engagement in the higher education sector. Hassan Waheed, an undergraduate in Sustainable Development, was highly commended in the IEMA Student Leadership award for being involved in a range of sustainability initiatives at the University. Tim Calder of the School of Chemistry was highly commended in the Environmental Improvement Award for helping the school become the first user of Terracycle's Nitrile/Latex glove recycling scheme.

# 140%

The University increased its reuse of resources by 140 per cent in 2014/15.

# Social responsibility

“

A commitment to social responsibility has long been part of the University's ethos, appearing formally in our Strategic Plan since 2004.

We take a whole institution approach recognising this includes: existing sustainability and carbon initiatives; sustainable procurement, fair trade and supply chain issues; responsible investment issues; embedding social responsibility and sustainability issues in the learning, teaching and research of the University; access to education and widening participation issues; fair employer and equalities and diversity issues; and community and public engagement

”

**Professor Charlie Jeffery**  
Senior Vice-Principal

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



# Social responsibility and sustainability report

(continued)



### Sustainable laboratories

Laboratories are taking innovative measures to improve their environmental performance and share best practice with colleagues through peer audits as part of the Edinburgh Sustainability awards.

### Scottish Business Pledge

In 2015 the University signed up to The Scottish Business Pledge, a partnership between the Scottish Government and employers to commit to fair and progressive policies that boost productivity, recognise fairness and increase diversity. In keeping with the Pledge's nine components, the University pays the Living Wage and has no staff on zero hour contracts, and engages proactively with its workforce and trade union representatives.

### Operational sustainability

The realisation of the University's strategic aims is enabled by exceptional people, high-quality physical infrastructure, and financial sustainability. Meeting these aims will require minimising our environmental impact, maximising our contribution to society, having infrastructure which is developed and operated to meet high national and international sustainability and social responsibility standards.

### Climate change, energy & utilities

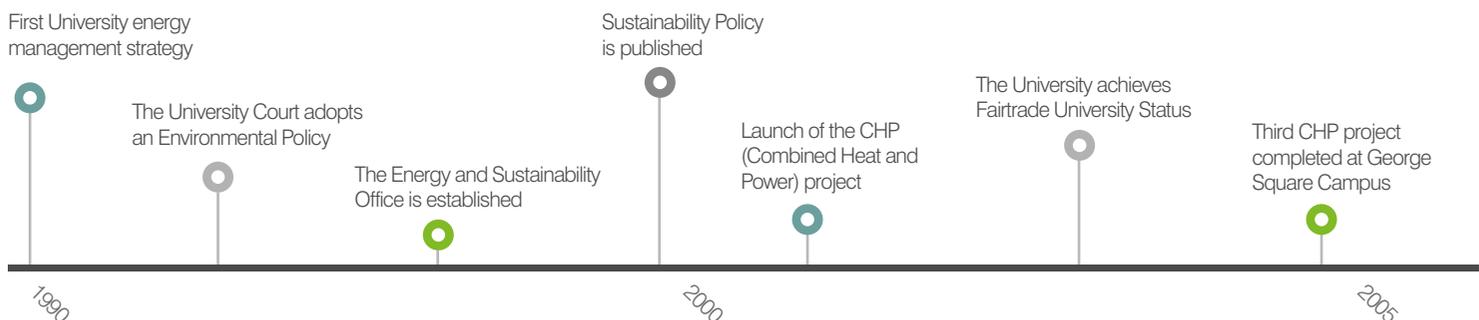
The University was a founding signatory to the Universities and Colleges Climate Commitment for Scotland in 2011, and this commitment to harness the University's expertise to reduce its carbon footprint has been incorporated into the University's *Climate Action Plan 2010-20*. The University accepts its responsibility to ensure it takes forward action on climate change by reducing its direct emissions, and influencing carbon emissions from its indirect operations.

Despite progress being made through investment in energy infrastructure, in particular Combined Heat and Power Energy Centres, and other efficiency measures, as well as behaviour change programmes, the University is not on track to achieve its current absolute carbon reduction targets [Table 2, page 31]. The University campus has substantially increased in size due to mergers and new developments, with student numbers growing since targets were set. The University's relative targets for emissions per square metre of gross internal area, or per pound turnover [Table 1, page 31] have shown a more positive trend, but the University recognises that it needs to take further action.

A Climate Change Strategy is being developed and will replace the current Climate Action Plan in 2016. The new strategy will set out revised carbon targets and will identify a number of pathways to achieving significant carbon reductions. With support from the Scottish Funding Council (SFC) we are developing a carbon modelling and scenarios tool; reviewing carbon reduction best practice in the University sector; and developing business cases to support investment in renewables and energy reduction.

Several energy conversion projects have been implemented in 2014/15, including: upgrading existing air handling units; installing demand based ventilation systems; improving heating and cooling controls; and installing photovoltaic solar panels. The University continues to increase the electricity and heat generated on campus through expanding its district heating network.

Further energy efficiency projects are being reviewed for 2015/16 with a heavy emphasis on demand based equipment, such as heating pumps and ventilation fans, as well as prioritising efficiency opportunities through the University's sustainable laboratories programme.



**Travel**

During 2014/15 the University continued to replace combustion engine vehicles with electric and hybrid vehicles to reduce carbon and particulate emissions. The University now has seven small electric vans and five petrol hybrid vehicles. To support the wider use of electric vehicles, the university has installed charging stations, where staff and visitors can charge their personal electric vehicles free of charge.

The University is a partner in Edinburgh's first electric bike sharing scheme, eCycle, with eight bikes available for use by staff. In partnership with EUSA, the student bike hire scheme Unicyles provides fifty hire bikes for students.

An Integrated Transport Strategy 2015-20 is in development, which will facilitate sustainable and active travel between the different parts of the University's dispersed estate and promote more sustainable modes of business travel.

The next student and staff travel survey will be carried out in March 2016, and will provide information on travel behaviours which will inform the preparation of new travel plans for each of the University sites.

**Estates development**

The University is working to transform the estate with the aim to provide innovative, safe and sustainable spaces to support world-class learning and teaching, and research. Over the next few years, the University has an extensive programme of new buildings and estate improvements planned.

This includes the redevelopment of the Darwin Building with the aim of creating a world-leading centre for biological sciences, and redeveloping the University Graduation Hall, McEwan Hall.

**Resource efficiency**

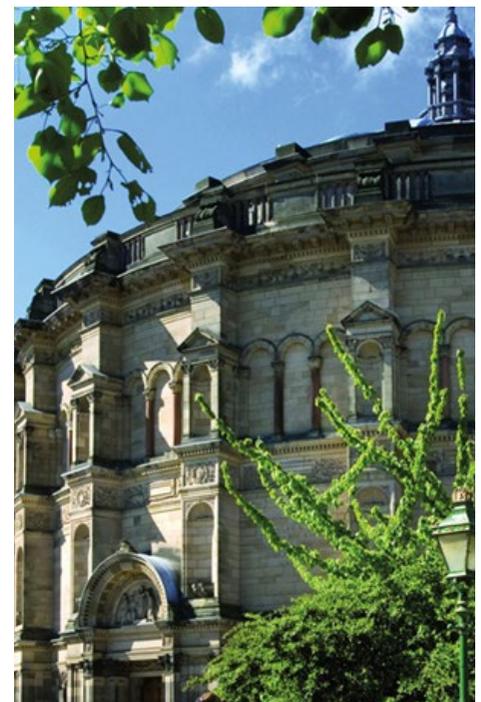
In 2014/15, the University demonstrated its progress in delivering the Recycling and Waste Management Policy, by reducing the weight of waste being sent to landfill by 47 per cent and significantly improving its recycling rate [Table 3, page 31].

The efforts to increase the amount of waste reused has led to the establishment of partnerships with charities and local organisations such as the British Heart Foundation, Bright Green and Remade in Edinburgh. Over 100 tonnes of items were donated to charities, contributing towards an increase of 140 per cent in the amount of waste reused than in the previous year.

Efforts to understand and identify opportunities to implement a circular economy approach at the University have been undertaken this last year in partnership with the Business School and the School of Geosciences with support from Zero Waste Scotland. Food waste bins have been introduced in University catering outlets and glass waste caddies rolled out across all staff tea preparation areas. Continuing to move our waste output up the hierarchy, revising key policies and engaging with the University community are our priorities for the next year.

**Food**

The University became the first in Scotland to be recognised by the Sustainable Restaurant Association (SRA), gaining a two-star 'excellent' accreditation in 2015. Catering staff completed the SRA's rigorous and wide-ranging assessment that covers sourcing, society and environment, enabling the University to become one of fifteen accredited universities across the United Kingdom.



**McEwan Hall**

The University is investing in McEwan Hall to repair the building fabric, upgrade service installations and resolve accessibility issues. The project will create additional public and support spaces, to enable the building to deliver its core functions more effectively and to allow it to be used more frequently.



# Social responsibility and sustainability report

## (continued)

### Equality and diversity

The University's *People Strategy 2012-16* sets out the vision to recruit and develop the world's most promising students and most outstanding staff and be a truly global university benefitting society as a whole. During the 2014/15 academic year the University has continued to make progress on fair employer practices, youth employment and equality and diversity.

Numbers of staff participating in an annual review process continue to improve, with over 95 per cent of eligible staff completing reviews. The Annual Review Steering Group has produced a policy statement, template forms, practice guidance and a package of training opportunities for managers and reviewees. The next year will see further work to enhance the quality of annual review conversations.

The University continues to receive a high proportion of applications for academic posts from international staff, with 71 per cent of applications received for academic vacancies coming from non-UK nationals. In 2014/15, a dedicated relocation support service for staff and their families relocating to Edinburgh was introduced, with an interest free loan facility to support international staff with the costs of visas and the recently introduced Immigration Health Surcharge.

The proportion of women achieving promotion continues to improve. Initiatives to raise the level of understanding of University promotions processes and efforts to create greater transparency have contributed to the increase in women coming forward.

A priority for the University in the next year is to improve on reducing the gender pay gap. The Gender Pay Working Group has done significant work to better understand the gap and its underlying causes and to identify remedial actions. Some of these actions, including increased use of external benchmarking for salary setting both in recruitment and promotions processes, are already being implemented.

The University has partnered with the Edinburgh Guarantee to increase the opportunities it offers to young people. This commitment involves increasing the number of job opportunities for young people, working with external partners to provide school leavers with industry-recognised qualifications, and promoting the work of the Edinburgh Guarantee to other Higher Education Institutions.

### Widening participation

The University's *Strategic Plan 2012-16* places widening participation at the heart of the University's agenda as a strategic theme, with the aim of delivering an outstanding experience to students from all backgrounds. The University's long standing commitment to the principles of educational opportunity has resulted in over 2,600 students receiving bursaries, which totalled £6.8 million in the 2014/15 academic year. The University provides the most generous bursary scheme within the United Kingdom to students from the lowest income groups in England, Wales and Northern Ireland.

This commitment is further evidenced by the range of widening participation school and community outreach projects which have demonstrable impact and engaged with thousands of prospective students, the sector leading use of contextual data in admissions and the support of students during transition to degree level study while on programme to enhance retention. This includes financial support in the provision of accommodation and access bursaries. The University continues to support regional and national collaborative partnership projects by hosting and providing management and services support to the Lothians Equal Access Programme for Schools (LEAPS), Schools for Higher Education Programme (SHEP) and Scottish Wider Access Programme (SWAP).

The University provides ongoing support to targeted groups of those traditionally under-represented in higher education. In the 2014/15 academic year the University received over 55,000 applications, with 20,000 from Scotland. 55 per cent of our Scottish domiciled entrants had one or more widening access characteristic, an increase from 45 per cent for the previous year. Of those, over 400 came through the LEAPS project.

A new admissions policy for care leavers has been developed by the University to strengthen our existing commitment to this particular group, with students from Scotland also benefitting. The Widening Horizons project gives enhanced exchange and study abroad opportunities for widening participation students and was short listed in the Times Higher Education Initiative of the Year 2014.

### Athena SWAN

The University has been a member of the Athena SWAN charter since 2006 and in 2015 became the first in Scotland to receive a University-wide Silver Award. All Science, Technology, Engineering, Medicine and Mathematics (STEMM) departments currently hold awards at Bronze level or above. All University departments are now eligible to apply for an award under the new Athena SWAN remit to encompass arts, humanities, social sciences, business and law. These departments will submit in 2015/16.

# 31%

The number of female staff at Grade 10 has increased by 31 per cent in 2014/15, almost double the growth rate for male staff (17 per cent).

# 71%

The proportion of international applications for academic posts in 2014/15.

### Community relations

Engagement with the city of Edinburgh and its communities continues to be a priority for the University. As well as acknowledging our heritage as the 'tounis college' - the first university in the United Kingdom to have a civic foundation, we recognise that the symbiosis between a strong, prosperous and vibrant city and university is a vital element in attracting students, staff and investment and in enhancing the quality of life in the city.

The University makes a significant and wide ranging contribution to the city, Scotland and beyond, recently demonstrated by figures from BIGGAR Economics which confirmed that in the academic year 2013/14 the University of Edinburgh generated £2 billion of gross value added (GVA) for the Scottish economy, supporting more than 31,000 jobs across the country, and that for every £1 received from the Scottish Funding Council, in the form of awards and grants, we generate £9.53 for the Scottish economy. In relation to the city of Edinburgh, the University's impact is £1.2 billion GVA, supporting 22,767 jobs.

As part of developing a new and more strategic approach to community engagement, an audit of activity by staff and students strongly demonstrated the important educational, economic, social, cultural, international and reputational benefits accruing to the city and the potential for a more co-ordinated approach to deliver greater value and opportunity for both partners.

Through a process of regular and enhanced dialogue, key challenges are being addressed, particularly the impact on the city of increased student numbers and the accommodation required to house them, and the need for refining communication with local communities when major estates programmes are being delivered. In turn, the University has been a crucial player in working with partners across the city region to put together a City Deal bid.

Staff, students and alumni form a significant section of the community in Edinburgh and the University continues to work closely with community organisations, Neighbourhood Partnerships and local councillors to strengthen relationships and build trust. In addition to formal meetings, this is achieved through the many and various interactions across the University between staff, students and the public; through volunteering and fundraising initiatives; through the Office of Lifelong Learning and our comprehensive public events and sporting programmes; and through the huge range of projects with schools and youth groups. We are developing improved ways of collating this activity so we can better tell these wonderful stories and find new opportunities for mutually beneficial engagement.

### Public engagement

A diverse programme of public engagement activities in 2014/15 demonstrated the University's commitment to making a positive intellectual, educational, and cultural contribution to society. The University aims to enhance its public engagement work to influence policy-makers and influence positive change.

A key priority in 2014/15 was the University's contribution to inform and support the public debate about the historic Scottish Independence Referendum. Staff and students engaged in a variety of ways including online, in print, at festivals, in media, through the University's Centre on Constitutional change and through a Massive Open Online Course (MOOC) about the key priorities as they emerged. Efforts to develop strategic partnerships with local organisations continued, with the aim to strengthen links with the city, is a key aim of the University's *Strategic Plan 2012-16*. The University signed Memoranda of Understanding with the Edinburgh Zoo and the National Galleries of Scotland, to enable future collaborations for public engagement projects. The University continues to be a key partner in delivering the Edinburgh Festivals with 1.3 million of the 2.3 million tickets sold being for shows hosted in University buildings.

The Student Experience Project supported a number of initiatives in the last year to enable student engagement with local communities. Opportunities for students were offered as part of Innovative Learning Week, with an emphasis on engaging with local schools and with the community through the curriculum.



### Innovative Learning Week

Students are provided with opportunities to learn through creative and innovative approaches. Students visited a Materials Recovery Facility to learn about waste management at the University.

### NUS Responsible Futures

The University, in partnership with the Edinburgh University Students' Association were awarded the NUS Responsible Futures accreditation. Thirteen institutions across the United Kingdom took part in the Responsible Futures pilot in 2015, all demonstrating their commitment to creating an environment in education for sustainable development to thrive. Key to this was providing students more opportunities to leave their institutions with the knowledge, skills and attributes required to critically challenge the world around them.

# Social responsibility and sustainability report

## (continued)

### Sustainable procurement

The University's Procurement Office continues to lead efforts to reduce and measure sustainability impacts and provide guidance to the higher education and wider public sector, where the University's good practice has been recognised. These efforts have contributed towards eighty five per cent of the University's procurement spend being influenced by the Procurement Office, with over a third through collaborative procurement.

Along with the Edinburgh University Students' Association, the University has worked closely with Advanced Procurement for Universities and Colleges to develop a Supply Chain Sustainability Policy and Code of Conduct, and the SUSTAIN database for the sector, which aims to engage suppliers, encouraging them to improve their own environmental and social impacts.

The Sustainable Procurement Priority Tool, used by the University, evaluates social, economic, environmental risks and supports engagement with buyers and suppliers to highlight and influence the impact of what we purchase. The University participates in the development of a range of codes and standards relating to supply chain ethics, including supporting fair trade and is a signatory of the Worker Rights Consortium and the European-wide Electronics Watch.

Small and medium-sized enterprises make up 58 per cent of the University's influenceable spend. We continue to work with suppliers to reduce carbon emissions, such as in our stationery buying initiative, which aims to reduce orders and deliveries through local collaboration. In the area where this is being trialled, van deliveries have been reduced by twenty five per cent, saving over 200 kilograms of CO<sub>2</sub>. In addition, use of our eProcurement service saved over 68,000 paper orders in 2014/15. The University aims to directly engage with suppliers to reduce their carbon emissions. The economic impact of the University in Scotland is estimated at £2 billion and supports over 31,000 jobs.

### Social responsibility and sustainability in learning and teaching

The University is committed to creating conditions where students and staff develop their knowledge, skills and experience to engage with and contribute effectively to tackling global challenges in Scotland and worldwide.

As part of this commitment the University established a Project Steering Group to further embed social responsibility and sustainability in learning and teaching. The group secured resource to fund the development of the sustainability and social responsibility online course which will be available for students in academic year 2016/17.

The Social Responsibility and Sustainability Academic Network was launched with the aim of bringing together academics, including postgraduate researchers, interested in social responsibility and sustainability related themes, from any discipline. The network enables dialogue on research projects, funding opportunities, teaching, student placements and event organisation. The network encourages academic input into University policy and practice including input into the University's Climate Strategy Review.

Two students were supported to undertake a placement in Malawi to look at fair trade lentil supply chains, including impacts on livelihoods, and value chain analysis. The project was organised in collaboration between the Business School, School of Geosciences, Department for Social Responsibility and Sustainability, and Just Trading Scotland, who work with farmer associations in Malawi. The University buys fair trade rice from Just Trading Scotland, and has trialled buying fair trade lentils for use in its catering outlets.

The Global Academies continue to promote interdisciplinary research, facilitating reading groups and research mixers to encourage collaborations across academic schools.

### Social responsibility and sustainability in our investments

The University has a long standing commitment to responsible investment, formally recognised in our 2003 policy and reiterated in our 2013 commitment to the United Nations Principles for Responsible Investment (PRI). Edinburgh was the first university in Europe to commit to the PRI and in 2014/15 we undertook a review of the policy which resulted in a change to our approach. As part of our commitment to the PRI, our first transparency report was published in 2015 and all evidence reviewed during the year was also made available online. We continue to work to put the six Principles for Responsible Investment into practice which includes incorporating environmental, social and governance (ESG) into investment analysis and decision making processes and to seek disclosure on the entities in which we invest. A further sector review is taking place in 2015/16. All of the fund managers we work with are also signatories to the PRI.

# 58%

**Fifty-eight per cent of the University's procurement influenced spend is with small or medium-sized enterprises.**

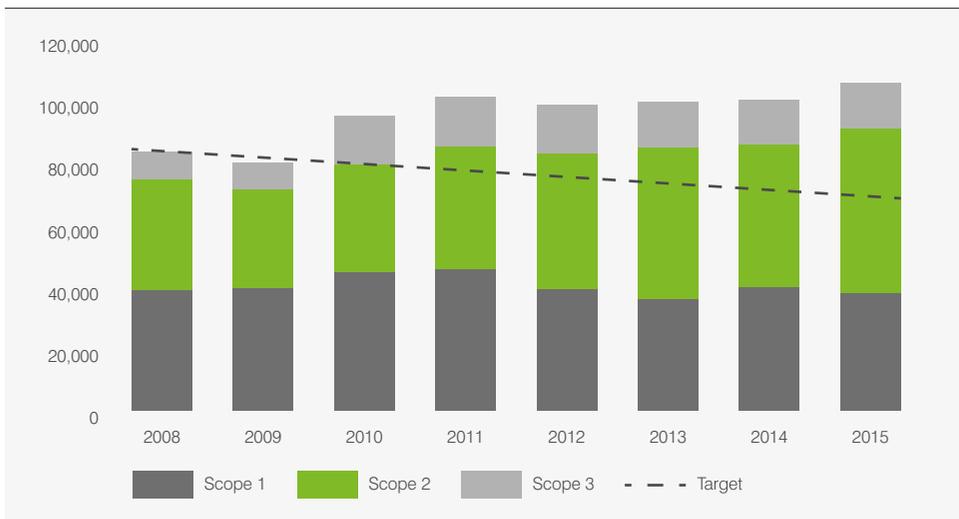
#### Fairtrade Special Recognition Award

The Scottish Fair Trade Forum presented the University with a Special Recognition Award for its commitment to fair trade in academic work and procurement. The award recognises that the University has made an outstanding commitment to fair trade and has made consistent and significant achievements through fair trade campaigning. Edinburgh became a Fairtrade University in 2004 and recently celebrated its ten year commitment to fair trade.

Table 1 - Key performance indicators

	2008	2009	2010	2011	2012	2013	2014	2015
Gross internal area (tonnes CO <sub>2</sub> / 1000m <sup>2</sup> )	139	127	131	136	124	122	112	101
Turnover (tonnes CO <sub>2</sub> / £M)	110	114	126	131	107	111	107	100

Table 2 - Absolute carbon emissions



**Absolute carbon emissions**

Table 2 shows the upward trend of the University's emissions and includes emissions across both the academic estate and accommodation services.

**Scope 1:**

Includes direct Greenhouse Gas (GHG) emissions from sources that are owned or controlled by the University such as natural gas combustion and University owned vehicles.

**Scope 2:**

Accounts for GHG emissions from the generation of purchased electricity, heat and steam generated off-site.

**Scope 3:**

Includes emissions from the transmission and distribution of electricity, staff and student commuting. This does not include GHG emissions related to business travel and procurement.

Table 3 - University waste breakdown 2014/15

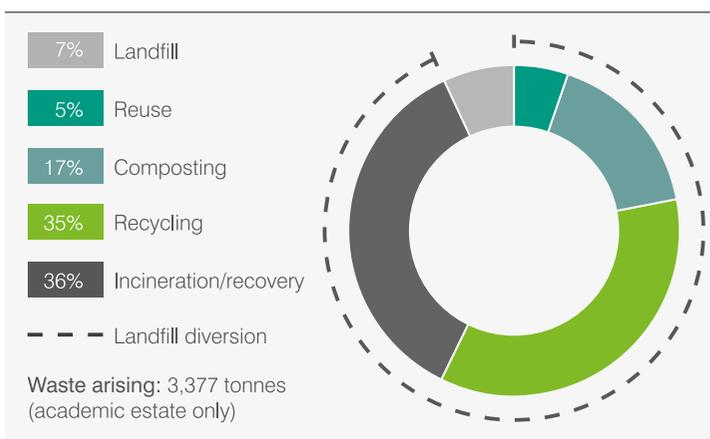
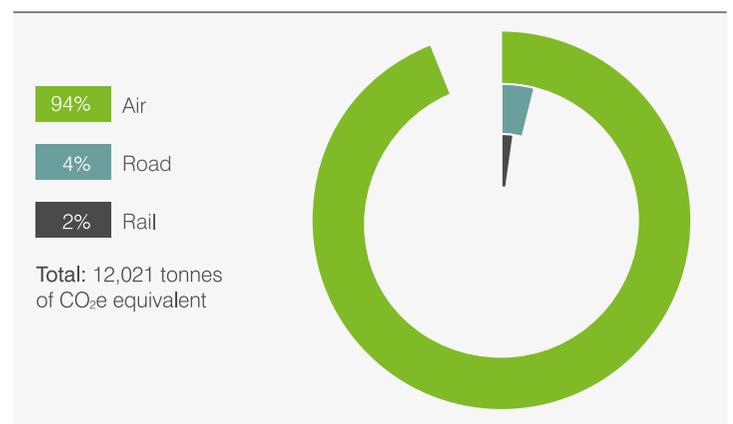


Table 4 - University business travel emissions 2014/15



# Corporate governance statement

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

From 1 August 2014 a revised Committee structure was implemented, to ensure compliance with the Scottish Code of Good Higher Education Governance and to enhance the effectiveness and openness of the University's governance. Throughout 2014/15 the University has been fully compliant with all the Principles of the Scottish Code.

The Committee of University Chairs issued The Higher Education Code of Governance in December 2014, noting that Scottish institutions will need to look first to the Scottish Code of Good Higher Education Governance. Court, while noting that compliance with this Guidance is not a formal requirement of the Scottish Funding Council, believes that its operations are compliant with this Guidance. Court has also 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.

Court notes the draft Higher Education Governance (Scotland) Bill introduced in the Scottish Parliament in June 2015, and continues to engage with the Scottish Government on the proposed legislation to seek to ensure that the University maintains its current transparent and inclusive governance arrangements whilst complying with any new legislation.

## University governance

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

## University Court

The University Court has 22 members. The Rector, who is elected by staff and students of the University, presides over meetings of Court. Court has a majority of lay members, including assessors appointed by the Chancellor and the City of Edinburgh Council and elected by General Council. There are also assessors elected by members of Senate and by non-teaching/academic staff from amongst their number and two fully matriculated student members nominated by the Students' Representative Council (now known as EUSA). The Principal is an ex-officio member and acts as the Chief Executive Officer of the University and its Accountable Officer. Co-opted members of Court and external members of the Court Committees are appointed through a robust, transparent, open advertisement and interview process based on a skills matrix approach managed by the Nominations Committee, which includes one staff and one student member.

In addition to the members of Court and the University Secretary, a number of senior officers of the University regularly attended meetings during 2014/15: Rector's Assessor, Senior Vice-Principal, Vice-Principal (Planning, Resources and Research Policy), Vice-Principal (Learning and Teaching), Heads of Colleges and Support Groups, Director of Finance, Deputy Secretary Strategic Planning

and Directors of Communications, Marketing and External Affairs, Estates, Legal Services and Human Resources. The Head of Court Services who acts as Clerk to Court is also in attendance at all meetings.

The terms of office of the two representatives from EUSA, two Senate Assessors and two co-opted Court members, including the Vice-Convenor of Court, ceased at the end of the academic year 2013/14. The representatives from EUSA and Senate Assessors were succeeded by new members and in 2013/14 there had been an open and transparent recruitment process to recruit a Vice-Convenor and co-opted Court members.

The role of the Vice-Convenor of Court is similar to that of chair of institution in many other universities in that the Vice-Convenor is responsible for the leadership of the University Court and will preside at Court meetings in the absence of the Rector. The Vice-Convenor was appointed by an open, transparent recruitment process, managed by the Nominations Committee. The recruitment process for the Vice-Convenor included a meeting between the candidates and staff and student representatives, with the views expressed by staff and students taken into account, together with the formal interview evidence, before deciding who to appoint. Dr Anne Richards was appointed from 1 August 2014 for a period of three years and was Vice-Convenor of Court throughout 2014/15.

One co-opted Court member resigned from 1 November 2014 and there was an open and transparent recruitment process to recruit a replacement, with effect from 1 June 2015. The term of office for the Rector ceased on 28 February 2015 and an election was held with two candidates in which Mr Steve Morrison was elected Rector for a period of three years.

The annual induction event was held at the end of August 2014, primarily for new members, to which all Court members were invited. A mentoring scheme for new Court members is also in operation.

Court is committed to the Nolan Principles regarding standards to be adopted in public life. It maintains a Register of Interests of its members and senior University officers which is publicly available for inspection. The current interests of members of the Court are published on the University's web site 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 composition of the University Court is set in legislation. Nominations Committee (which includes staff and student members) manages the process for the appointment of the Vice-Convenor and Co-opted members of Court taking into consideration skills, experience and diversity. A Skills Register is maintained for all Court members at: [www.docs.sasg.ed.ac.uk/GaSP/Governance/CourtSkillsRegister.pdf](http://www.docs.sasg.ed.ac.uk/GaSP/Governance/CourtSkillsRegister.pdf).

Court met on six occasions during 2014/15 and between meetings considered any urgent matters which required Court approval via electronic communication. Members were also kept informed by electronic means of any significant issues affecting the University. Court seminars were held in September 2014 and February 2015 on 'Leveraging our (Distinctive) Assets', and on the 'Future Strategy of the University of Edinburgh' respectively. In February 2015, Court held an 'Open Forum' at which the Principal, Vice-Convenor of Court and the University Secretary delivered presentations to staff and students on the activities of Court. The event was recorded to be viewed on-line by staff and students unable to attend. Court held a joint meeting between Court and Senate Committee Convenors on 23 June 2015. Court consults with Senate and General Council as required by statute.

Court has overall responsibility for the University's strategic development. It is actively engaged in the University's strategic planning processes and in monitoring progress against the approved Strategic Plan. The Strategic Plan operative during 2014/15 was adopted by the University Court at its meeting on 2 July 2012 and covers the period 2012-2016. The strategic planning process is led by the Principal with support from the Vice-Principal with responsibility for Planning, Resources and Research Policy, the Deputy Secretary, Strategic Planning and the Director of Finance. Court agreed the process for developing the Strategic Plan 2016-2021 at its meeting on 22 June 2015.

During 2014/15, as well as the more routine items, Court considered the following:

- The establishment of the Alan Turing Institute as a joint venture with the Universities of Oxford, Cambridge, Warwick and UCL;
- The results of the Research Excellence Framework 2014, which placed the University as one of the UK's top-ranked research institutions; and
- The self-evaluation of the 2013/14 Outcome Agreement with the Scottish Funding Council and the priorities for 2014/15.

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

# Partnerships

## Our strategy in action

The University of Edinburgh has joined the Alan Turing Institute, a UK national institute that aims to be a world leader in the understanding and application of large-scale digital data.

The Institute aims to enable knowledge and predictions from large-scale and diverse digital data to make discoveries, create business opportunities, inform policy making, improve our environment, health and infrastructure, and accelerate solutions to global challenges. Researchers from The School of Informatics along with the School of Mathematics will work with the Universities of Cambridge, Oxford, Warwick and UCL who have also joined the institute. The Institute is being funded over five years with £42 million from the UK Government with the five University partners also contributing further funding.

# Corporate governance statement

## (continued)

### University of Edinburgh Committee structure

#### University Court

University Court, the University's governing body, is a body corporate, with perpetual succession and a common seal. The present powers of 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.

#### Joint Committee of Senate and Court

#### The Senate

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

### Standing committees

- ▶ **Audit and Risk Committee**  
The Audit and Risk Committee's purpose is to review the effectiveness of the University's corporate governance arrangements, financial systems, internal control environment and risk management arrangements and provide appropriate assurances to Court on these areas.
- ▶ **Committee on University Benefactors**  
The Committee on University Benefactors' purpose is to advise Court on the recipients of the Distinction of University Benefactor.
- ▶ **Exception Committee**  
The Exception Committee's purpose is, under delegated authority, to make decisions which would otherwise require Court approval between meetings of Court, subject to defined principles and on the understanding that any matter so referred can be referred to the full Court should this be the wish of the Exception Committee.
- ▶ **Nominations Committee**  
The Nominations Committee's purpose is to make recommendations to Court on the appointment of co-opted members of Court, Court's nominations of Curators of Patronage and the filling of vacancies as these arise in Court Committees.
- ▶ **Policy and Resources Committee**  
The Policy and Resources Committee's purpose is to provide strategic oversight of the University's financial, investment, estates and people affairs and to advise Court on any other business of particular importance or complexity.
- ▶ **Remuneration Committee**  
The Remuneration Committee advises Court and oversees the preparation of policies and procedures in respect of salaries, emoluments and conditions of service including severance arrangements for the University's senior management, including the Principal and those at professorial or equivalent level, and to keep these under review.
- ▶ **Knowledge Strategy Committee**  
The Knowledge Strategy Committee's purpose is to oversee the University's knowledge management activities in the areas of Library, Information Technology, technology enhanced learning, Management Information and e-Administration on behalf of Court; and to give initial consideration to and advise on any other Court business in respect of the University's knowledge management activities.
- ▶ **Curriculum and Student Progression Committee**  
The Curriculum and Student Progression Committee carries out the Senate's duty to determine the academic regulatory framework, apart from those aspects which are primarily parts of the Quality Assurance Framework.
- ▶ **Learning and Teaching Committee**  
The Learning and Teaching Committee carries out the Senate's duty to monitor and regulate undergraduate, taught postgraduate and other forms of academic provision, apart from postgraduate research and higher degrees.
- ▶ **Quality Assurance Committee**  
The Quality Assurance Committee is responsible for the University's academic quality assurance framework.
- ▶ **Researcher Experience Committee**  
The Researcher Experience Committee is responsible for postgraduate research degree training, higher degrees and training provision of other, early career researchers. It aims to promote an outstanding student experience and vibrant research community across the University, through a proactive agenda supporting an environment that fosters and enables change.

## Standing committees

### Audit and Risk Committee

### Policy and Resources Committee

## Thematic committees

### Risk Management Committee

The role of the Risk Management Committee is to support and advise Central Management Group on the implementation and monitoring of the risk management policy.

### Estates Committee

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

### Investment Committee

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

### People Committee

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

## Performance evaluation

During 2014/15, Court approved the process for an annual review of Court's effectiveness, mapping out assurances and providing evidence on compliance with Court's Statement of Primary Responsibilities and with the Scottish Code. A more extensive externally facilitated review will be initiated in 2015/16. Court also agreed the process to review the effectiveness of its Standing and Thematic Committees, as the effective operation of the Committees and flow of information to Court is crucial to the overall effectiveness of Court.

Each of these Committees is formally constituted with terms of reference including membership approved by Court, and conducts its business both through regular meetings and by electronic communication when appropriate. The University also has a Central Management Group whose membership includes all the major budget holders in the University, and all the Vice-Principals who advise the Principal on senior management decisions, particularly on the allocation of budgets to Colleges and Support Groups.

## Committee activities 2014/15

### Audit and Risk Committee

Convener: Lay Member of Court

During 2014/15 the Audit and Risk 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. It also had explicit responsibility for advising on the effectiveness of the University's risk management arrangements.

In addition to routine business, items of note considered by the Committee include the following:

- Oversight of preparations for the implementation of FRS 102, including approval of revised accounting policies; and
- Consideration of IT security, the dynamic nature of emerging risks and the development of updated policies and procedures to mitigate this.

### Estates Committee

Convener: Vice-Principal Planning, Resources and Research Policy

The Estates Committee oversees the preparation, review and implementation of the University's Estates 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 approves all major capital projects 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.

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

### Exception Committee

Convener: Vice-Convener of Court

Items of particular note considered by the Exception Committee include:

- The establishment of Court Sub-Groups to consider the University's response to proposed changes to the USS pension scheme; and
- Consulting and assisting with the process to secure external loan funding, in line with the new University Finance strategy.

# Corporate governance statement

## (continued)

### Investment Committee

Convener: External Member

The Investment Committee considers the 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. It also reviews and monitors both long and short-term investments. It has responsibility for overseeing the University's Endowment Funds and ensuring that funds held in trust are operated within the relevant legislation and specific terms of each trust, other investment funds and deposit balances. It reports to Court via Policy and Resources Committee.

In addition to routine business, items of note considered by the Committee include the following:

- Investment strategy, asset allocation and opportunities for investing University funds;
- Private equity and other investment opportunities;
- Fund manager reviews with BlackRock, Hermes, Baillie Gifford, Kames Capital, Old College Capital and Epidarex;
- United Nations Principles for Responsible Investments (UNPRI) consultation;
- Increased funds directed towards University spin-out financing;
- Consideration of the suitability of alternative asset classes for the Endowments; and
- Operationalising investment decisions agreed by University Court (e.g. the recommendations of the Fossil Fuel Review Group).

### Nominations Committee

Convener: Vice-Convener of Court

The Nominations Committee provided oversight of the open advertisement and interview process for co-opted members of the Court and external members of the Court Committees.

In addition to routine business, items of note considered by the Committee include the following:

- Establishing a Scrutinising Committee for the consideration and validation of the nominations submitted and thereafter confirming the candidates in the Rectorial Election; and
- Preliminary consideration of the proposed Higher Education Governance (Scotland) Bill around the appointment of chairs of institutions and membership of governing bodies.

### Policy and Resources Committee

Convener: Vice-Convener of Court

During 2014/15 the Policy and Resources Committee was responsible for overseeing the University's financial affairs on behalf of 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 University resources. 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.

In addition to routine business, items of note considered by the Committee include the following:

- A revision and update of the University's Finance strategy;
- Developments in research and commercialisation, including developments for Edinburgh BioQuarter and the Roslin Institute;
- Endowment arrangements for the College of Medicine and Veterinary Medicine; and
- Proposals for the redevelopment and building of student accommodation.

### People Committee

Convener: Vice-Principal People and Culture

The Committee reported to the Policy and Resources Committee following each meeting with papers being considered by the Central Management Group and Court as appropriate.

In addition to routine business, items of note considered by the Committee include the following:

- The University's People Strategy Action Plan;
- Shared Parental Leave Policy;
- Review and refinement of Annual Review process;
- Emerging Academic Fellowship Scheme;
- Arrangements for Head of School appointments;
- Review of Chancellors' Fellows Scheme;
- Improvements to Academic Promotions procedures; and
- A range of issues around mainstreaming and embedding elements of the Equality and Diversity Strategy particularly in relation to gender.

### Remuneration Committee

Convener: Lay Member of Court

The Remuneration Committee approved, in line with policies and procedures, the total remuneration package for the Principal, those senior staff reporting directly to the Principal, and Professorial and equivalent staff as appropriate.

### Risk Management Committee

Convener: Director of Corporate Services

During 2014/15 the Committee supported and advised the Central Management Group, the Audit and Risk Committee and 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 Policy and Resources Committee, the Audit and Risk Committee and Court received reports as appropriate and in particular the annual assurance statement and the outcome of the of the University's Risk Register review.

The Committee reviewed and amended the University's strategic Risk Register which was then approved by 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 provides information to the Audit and Risk Committee and Court on the adequacy of the University's risk management arrangements and formed part of the assurance provision to Court to enable it to approve the Annual Report and Accounts.

In addition to routine business, items of note considered by Risk Management Committee include the following:

- Enhancements to the risk management process, to increase effectiveness, link risk reviews to key events and further embed risk management;
- Oversight of emerging risks associated with new Procurement legislation; and
- Benchmarking of the University's risk management processes against the education sector risk profile.

### Central Management Group

The Central Management Group, whilst formally advisory to the Principal, is the senior body that considers University management issues. Its members are responsible and accountable for all components of the University's budget, both income and expenditure. As such it plays an important part in the internal governance and academic operations of the University, and brings together the academic, financial, human resources and accommodation aspects of planning. The Central Management Group is chaired by the Principal and acts as a forum for debate and decision-making on initiatives and issues for the University. It is responsible for managing the University's performance and for assisting the Principal in delivery of the University's strategy. The Central Management Group also provides advice and views on proposals and reports and ensures a consistent approach to activity across the University.

### Senate

During the academic year 2014/15, 72 new members joined Senate and 62 demitted membership. The Senate held three meetings during the academic year with presentations delivered on:

- Postgraduate Research;
- Community Engagement as an Integral Part of the Curriculum; and
- Emerging Vision for Learning and Teaching.

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 National Student Survey results, development of a dashboard to assist Schools to enhance learning and teaching, and strengthening the Taught Assessment Regulation governing turnaround times for feedback on assessment.

Senate has four principal Committees which operate in accordance with delegated authority as set out in their terms of reference. These Committees submit an annual report to Senate providing an overview of the major items of Committee business completed and proposing strategic issues for the Committees to focus on for the next academic year and beyond, for approval by Senate. Court considered and noted this report at its meeting on 22 June 2015.

### Curriculum and Student Progression Committee

**Convener:** Assistant Principal Professor Ian Pirie

In addition to routine business, items of note considered by the Committee include the following:

- Oversight of Programme and Course Information Management Project (PCIM), which, among other things, will provide students with more comprehensive and relevant information about their courses (including enhanced information regarding feedback on assessment arrangements);
- The introduction of Student-Led Individually Created Courses (SLICCs), which are credit-bearing self-directed courses, intended to help students to develop their own set of personal or professional skills and attributes;
- Extending the policy on Informing Taught Students of their Final Programme Results so that it now also covers course and progression results, and monitored significant systems development work which enabled Schools to implement this policy;
- Approving a new Support for Study policy, to help support students whose behaviour may give cause for concern; and
- Approving temporary concessions on assessment sitting to minimise impact of industrial action on students without compromising academic standards.

### Learning and Teaching Committee

**Convener:** Vice-Principal Professor Sue Rigby

In addition to routine business, items of note considered and tasks undertaken by the Committee include the following:

- Consultation regarding development of the University's Emerging Vision for Learning and Teaching;
- Monitoring the Enhancing Student Support Project, including the Student Support Implementation Group's (SSIG) work on evaluating the undergraduate Personal Tutor system and mainstreaming and enhancing the system;
- Continuing to provide oversight of the Leading Enhancement in Assessment and Feedback Project, which is making use of the TESTA (Transforming Experience of Students through Assessment) methodology;
- Monitoring the Higher Education Academic's programme of Grade Point Average pilots, with one member of Learning and Teaching Committee representing the University on the HEA (Higher Education Academy) project;
- Mainstreaming Massive Open Online Courses (MOOCs) academic governance processes and procedures, including establishing course approval and quality assurance processes; and
- Establishing a task group to oversee implementation of the University's on-line distance education provision.

### Quality Assurance Committee

**Convener:** Assistant Principal Dr Tina Harrison

In addition to routine business, items of note considered and tasks undertaken by the Committee include the following:

- Continuing preparation for the next Enhancement Led Institutional Review in 2015;
- Introduction of a new External Examiner Online Reporting System that will allow the University to maximise the benefits from information gathered in External Examiner reports;
- Input into the work on enhancing a framework of guidance on Collaborative provision, which is being taken forward by Governance and Strategic Planning, Academic Services and International Office, with oversight from a Steering Group;
- Development of the course evaluation survey framework; and
- Establishing a short-life group to investigate and advise on the technological infrastructure and meeting protocols that need to exist for the Edinburgh distance learning student voice to be heard at School, College and institutional level.

### Researcher Experience Committee

**Convener:** Assistant Principal Professor Jeremy Bradshaw

In addition to routine business, tasks undertaken by the Committee include the following:

- Developing and publishing its strategy and vision in November 2014;
- Consulting on proposals for improving the postgraduate research experience;
- Working with Student Systems to develop an online reporting mechanism for postgraduate research student annual progression reviews;
- Approving the recommendations of the PhD Publications Track Task Group;
- Agreeing a pilot for ongoing induction of postgraduate research students starting throughout the year, including the development of induction cohorts; and
- Developing a new Handbook for External Examining of Research Degrees.

# Corporate governance statement

## (continued)

### General Council

General Council consists mainly of alumni of the University of Edinburgh, includes eligible academic staff and a more limited number from other related categories. As at 31 July 2015 it had 195,360 members. It has a statutory right to comment on matters which affect the well-being and prosperity of the University and to be consulted on Ordinances and Resolutions. The aim is to ensure that graduates of this University have a continuing voice in the management of its affairs. It is also responsible for election of the Chancellor and three Court Assessors.

Statutory Half-Yearly Meetings of the Council are normally held on the second Saturday in February and the last Saturday in June, although recently the June meeting has been held earlier in the month. During 2014/15 the following items were discussed at these meetings:

- The Principal reported on the University's Reports and Financial Statements at the February Half-Yearly meeting;
- The June 2015 Half-Yearly Meeting was held in the Edinburgh Centre for Carbon Innovation (ECCI), in High School Yards, Edinburgh. Dr Andy Kerr, Executive Director of the Centre, introduced members to the work of the Centre and its contribution to efforts both at home and worldwide to tackle carbon emissions, in particular through education and alternative ways of approaching the problem; and
- Through its Business Committee members follow progress in a number of areas, including student satisfaction, league table positions, internationalisation, the financial status of the University and the impact of the Scottish Government's Review of Higher Education Governance.

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

### Business Committee

**Convener:** Professor Charles Swainson  
**Vice Convener:** Dr Frances Dow

The Business Committee 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.

In addition to routine business, items of note considered by the Committee include the following:

- Implications of recent election results on the University of Edinburgh and the higher education sector;
- Contributions to Development & Alumni's Alumni Engagement Strategy review; and
- Following up with senior academic staff on the continuing issue of the Student Experience, in particular in Learning & Teaching.

### Academic Standing Committee

**Convener:** Professor Stuart Macpherson

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

### Constitutional Standing Committee

**Convener:** Mr Gordon Cairns

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

### Finance & Services Standing Committee

**Convener:** Ms Kirsty MacGregor

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

### Public Affairs Standing Committee

**Convener:** Mr Matt McPherson

The Committee advised on matters regarded as important involving the actions of Parliament, HM Government, quasi-governmental agencies and other public bodies which might affect universities in general and the University of Edinburgh in particular. The Committee also advises 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 came into effect from 1 August 2014 to reflect changes to the University's governance approach as a result of taking forward the Scottish Code of Good Higher Education Governance, and has been subject to review throughout 2014/15.

The senior management team receives regular reports on the University's performance, including appropriate performance indicators, and considers any control issues brought to its attention by early warning mechanisms which are embedded within the operational units and reinforced by risk awareness training. The senior management team and the Audit and Risk Committee also received regular reports from Internal Audit which included 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 and a Thematic Committee reporting to the Audit and Risk Committee. The Audit and Risk Committee is a Standing Committee reporting directly to Court and has oversight of risk management arrangements based on advice and information from the Risk Management Committee. The University's 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. This aligns to the University *Strategic Plan 2012-2016*. During 2014/15 the Register and Risk Appetite Statement was reviewed by the Risk Management Committee and considered by the Central Management Group, the Audit and Risk Committee, and the Policy and Resources Committee prior to consideration and approval by Court on 22 June 2015.

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 10 September 2015 and expressed itself satisfied with the outcome.

By its 7 December 2015 meeting, Court had received the Audit and Risk Committee Report for the year ended 31 July 2015 (which set out the activities undertaken by the Audit and Risk Committee during 2014/15) and information from the Risk Management Committee; it also had taken account of relevant events since 31 July 2015. During 2014/15, the Audit and Risk Committee was responsible for advising Court on the effectiveness of policies and procedures for risk assessment and risk management arrangements. Court considers, on the recommendation of the Audit and Risk Committee that a risk management process wholly compliant with the guidance provided by the UK Corporate Governance Code, in so far as its provisions apply to the higher education sector, has been in place throughout the year ended 31 July 2015.

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

- The Internal Audit Service's annual report for 2014/15 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 2014/15 presented to the Audit and Risk Committee regarding its operation;
- Comments made by the External Auditors in their Report to the Audit Committee and other reports; and
- The work of managers within the institution, who have responsibility for the development and maintenance of the internal control framework, and by any relevant comments made by other external agencies (e.g. the Quality Assurance Agency for Higher Education, Scottish Funding Council).

### Charitable status

The University had charitable status (No. SC005336) under the legislative framework operative throughout the 2014/15 financial year. The University Court considers that the University meets the 'Charity Test' set out in Section 7 of the Charities and Trustee Investment (Scotland) Act 2005 and it will take such actions as are necessary to ensure continued full compliance with the legislation, and retention of charitable status.

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

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

### Going concern

The University's activities and the factors likely to affect its future development, performance and position are set out in the Financial Review. Its financial performance for the year to 31 July 2015, income and expenditure, assets, liquidity and cash flows are set out in more detail in the Notes to the Financial Statements.

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

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

# Corporate governance statement

## (continued)

### Responsibilities of Court

On 12 May 2014 Court adopted this Statement of Primary Responsibilities as set out below and which was in operation during 2014/15.

Court's primary responsibilities are:

#### I. Strategic direction

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

### II. Responsibilities in relation to management and Senate

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

### III. Exercise of controls

- To ensure the establishment and monitoring of systems of control and accountability, including financial and operational controls and risk assessment, arrangements for internal and external audit and regularly reviewed schedules of delegated authority;
- To be the principal financial and business authority of the University, to ensure that proper books of account are kept, to approve the annual budget and financial statements, to have overall responsibility for the University's assets, property and estates and to safeguard long-term sustainability;
- To ensure that appropriate arrangements are in place for the management of health, safety and security in respect of students, staff and other persons affected by the University's operations; and
- To ensure that appropriate arrangements are in place for promoting equality and diversity in respect of students, staff and other persons making use of University services or facilities.

### IV. Corporate responsibilities

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

### V. Effectiveness and transparency

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

### Statement of responsibilities relating to the reports and financial statements

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

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

In causing the financial statements to be prepared, Court has to ensure that:

- suitable accounting policies are selected and applied consistently;
- judgements and estimates are made that are reasonable and prudent;
- applicable accounting standards have been followed; and
- financial statements are prepared on the going concern basis.

Court has taken reasonable steps to:

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



**Dr Anne Richards**

Vice-Convenor of Court  
07 December 2015

# Corporate governance statement

## (continued)

### Membership of the University Court

University Court		Court meetings attended	Committee memberships 2014/15	Committee memberships 2015/16
<b>Rector</b>				
Presides at meetings of Court	Mr Peter McColl (to 28 February 2015)	4/4		
	Mr Steve Morrison (from 1 March 2015)	2/2		
<b>Principal and Vice-Chancellor</b>				
	Professor Sir Timothy O'Shea	6/6	CB PRC NC	CB PRC NC
<b>Chancellor's Assessor</b>				
Nominated by Chancellor	Sheriff Principal Edward F Bowen	4/6	CB	CB
<b>General Council Assessors</b>				
Three Assessors elected by General Council for terms of office of four years	Mr Alan Johnston	5/6	RC NC EXC ARC	RC EXC ARC
	Professor Ann M Smyth	6/6	PRC KSC EXC	
	Ms Doreen Davidson	6/6	CB PC IC KSC	PC IC KSC PRC NC
<b>Senatus Academicus Assessors</b>				
Four Assessors elected by the Senate for terms of office of four years	Dr Marialuisa Aliotta	4/6	PRC	PRC
	Professor Jake Ansell	5/6	CB NC EXC	CB NC EXC
	Professor Sarah Cooper	4/6		
	Dr Claire Philips	4/6		
<b>City of Edinburgh Council Assessor</b>				
One Assessor nominated by City of Edinburgh Council	The Rt Hon Donald Wilson	0/6	CB	CB
<b>Co-opted Members</b>				
Eight appointed by Court for a term of office of three years including the Vice-Convener (equivalent to Chair of institution)	Dr Anne Richards (Vice-Convener of Court)	6/6	RC EXC NC PRC	RC EXC NC PRC
	Mr David Bentley	6/6	PRC EC	PRC EC
	Dr Robert Black	6/6	NC RMC ARC	NC ARC
	Mr Peter Budd	3/6	ARC EC	ARC EC KSC
	Ms Alison Grant (from 1 June 2015)	1/1		PRC KSC
	Ms Mandy Exley (to 1 November 2014)	1/1	PRC	
	Dr Chris Masters	4/6	PRC RC IC	PRC RC IC
	Mr Les Matheson	2/6	PRC	
	Lady Susan Rice	6/6	RC ARC EXC NC	RC PRC EXC NC
	<b>Non-Teaching Staff Assessor</b>			
Elected by non-teaching staff for a period of four years	Ms Angi Lamb	6/6	KSC	KSC
<b>Student members</b>				
Annually nominated by the EUSA from among sabbatical officers	Ms Briana Pegado (to 5 June 2015)	5/5	EXC KSC NC PRC	
	Ms Tasha Boardman (to 5 June 2015)	5/5		
	Ms Urte Macikene (from 8 June 2015)	1/1		
	Mr Jonny Ross-Tatam (from 8 June 2015)	1/1		EXC KSC NC PRC

#### Key to committee memberships

Audit and Risk Committee	ARC	Investment Committee	IC	Policy and Resources Committee	PRC
Committee on University Benefactors	CB	Knowledge Strategy Committee	KSC	Remuneration Committee	RC
Estates Committee	EC	Nominations Committee	NC	Risk Management Committee	RMC
Exception Committee	EXC	People Committee	PC		

Further information and biographies of Members of the University Court can be found at [www.ed.ac.uk/schools-departments/governance-strategic-planning/governance/university-court/membership](http://www.ed.ac.uk/schools-departments/governance-strategic-planning/governance/university-court/membership).

## Membership of Standing Committees

		Meetings attended
<b>Audit and Risk Committee</b>		
<b>Lay members of Court</b>	Mr Alan Johnston (Convener)	3/4
	Mr Peter Budd	1/4
	Dr Robert Black	3/4
	Lady Susan Rice	3/4
<b>External Members</b>		
Appointed through an open advertisement and interview process	Mr Martin Sinclair (to 31 January 2015)	2/2
	Mr Bindesh Savjani (from 3 November 2014)	2/3
	Mr Jim Bishop (from 1 February 2015)	1/2
<b>Nominations Committee</b>		
<b>Ex-officio Members</b>		
The Principal	Professor Sir Timothy O'Shea	5/5
Vice-Convener of Court	Dr Anne Richards (Convener)	5/5
University Secretary	Ms Sarah Smith	5/5
<b>Senate Assessor</b>	Professor Jake Ansell	5/5
<b>Lay Members of Court</b>	Dr Robert Black	3/5
	Lady Susan Rice	4/5
	Mr Alan Johnston	4/5
<b>Student Member of Court</b>	Ms Briana Pegado	4/5
<b>Policy and Resources Committee</b>		
<b>Ex-officio Members</b>		
The Principal	Professor Sir Timothy O'Shea	6/6
Vice-Convener of Court	Dr Anne Richards (Convener)	6/6
University Secretary	Ms Sarah Smith	6/6
<b>Senate Assessor</b>	Dr Marialuisa Aliotta	4/6
<b>Vice-Principal</b> nominated by Central Management Group	Professor Jonathan Seckl	5/6
<b>Lay Members of Court</b>	Mr David Bentley	5/6
	Ms Doreen Davidson	3/3
	Ms Mandy Exley (to 1 November 2014)	1/2
	Dr Chris Masters	4/6
	Professor Ann M Smyth	5/6
<b>Student Member of Court</b>	Ms Briana Pegado (to 5 June 2015)	4/5
	Mr Jonny Ross-Tatam (from 8 June 2015)	1/1

		Meetings attended
<b>Knowledge Strategy Committee</b>		
<b>Ex-Officio Members</b>		
Chief Information Officer	Mr Gavin McLachlan	2/2
<b>EUSA Representative</b>	Mr Dash Sekhar	3/3
<b>Lay Members of Court</b>	Professor Ann M Smyth (Convener)	3/3
	Ms Doreen Davidson	1/3
	Ms Angi Lamb	3/3
<b>Members of Senate</b>	Professor Jeff Haywood	2/3
	Professor Sue Rigby	2/3
	Dr Gavin McDougall	3/3
	Dr John Lowrey	0/1
	Professor Jeremy Bradshaw	1/2
	Professor Allan Cummings	0/1
	Professor Richard Coyne	1/1
<b>Remuneration Committee</b>		
<b>Ex-officio Members</b>		
Vice-Convener of Court	Dr Anne Richards	3/3
<b>Lay Members of Court</b>	Lady Susan Rice (Convener)	3/3
	Dr Chris Masters	3/3
	Mr Alan Johnston	3/3

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

## Report on the financial statements

### Our opinion

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

- give a true and fair view of the state of the group's and of the parent institution's affairs as at 31 July 2015 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).

### What we have audited

The financial statements comprise:

- the consolidated and parent institution Balance Sheets as at 31 July 2015;
- 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 for the year then ended;
- 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.

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

As explained more fully in the Statement of Responsibilities Relating to the Reports and Financial Statements (set out on page 35), 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.

### 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.

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

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

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



### PricewaterhouseCoopers LLP

Chartered Accountants and Statutory Auditors  
Glasgow  
07 December 2015

- 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.
- 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 2015

	Note	2015		Result for year £'000	2014 £'000
		Result before exceptional items £'000	Exceptional items £'000		
<b>INCOME</b>					
Funding body grants	2	203,615	-	<b>203,615</b>	204,116
Tuition fees and education contracts	3	221,748	-	<b>221,748</b>	194,067
Research income	4	225,523	21,868	<b>247,391</b>	215,934
Other income	5	150,070	-	<b>150,070</b>	147,389
Endowment and investment income	6	17,924	-	<b>17,924</b>	19,124
Total income		818,880	21,868	<b>840,748</b>	780,630
<b>EXPENDITURE</b>					
Staff costs	7	445,252	-	<b>445,252</b>	409,994
Other operating expenses	9	308,642	-	<b>308,642</b>	299,367
Depreciation	13	33,947	-	<b>33,947</b>	32,292
Interest and other finance costs	10	5,460	-	<b>5,460</b>	5,538
Total expenditure		793,301	-	<b>793,301</b>	747,191
<b>SURPLUS ON CONTINUING OPERATIONS AFTER DEPRECIATION OF ASSETS AT VALUATION AND BEFORE TAXATION</b>					
		25,579	21,868	<b>47,447</b>	33,439
Gain on disposal of fixed assets	13	39	-	<b>39</b>	-
<b>SURPLUS AFTER DEPRECIATION OF ASSETS AT VALUATION AND DISPOSAL OF ASSETS BUT BEFORE TAXATION</b>					
		25,618	21,868	<b>47,486</b>	33,439
Taxation	11	(3)	(4,953)	<b>(4,956)</b>	(31)
<b>SURPLUS ON CONTINUING OPERATIONS AFTER DEPRECIATION OF ASSETS AT VALUATION AND DISPOSAL OF ASSETS AND TAXATION</b>					
		25,615	16,915	<b>42,530</b>	33,408
Minority interest		(11)	-	<b>(11)</b>	(5)
<b>SURPLUS AFTER DEPRECIATION OF ASSETS AT VALUATION</b>					
		25,604	16,915	<b>42,519</b>	33,403
Deficit for the year transferred to accumulated income in endowment funds	22	(1,957)	-	<b>(1,957)</b>	(3,003)
<b>SURPLUS FOR THE YEAR RETAINED WITHIN GENERAL RESERVES</b>					
	12	23,647	16,915	<b>40,562</b>	30,400

# Group statement of historical cost surpluses and deficits

For the year ended 31 July 2015

	Note	2015 £'000	2014 £'000
<b>SURPLUS AFTER DEPRECIATION OF ASSETS AT VALUATION AND BEFORE TAXATION</b>		<b>47,447</b>	33,439
Gain on disposal of fixed assets in the year	13	39	-
Realisation of revaluation gains of previous years	24	175	-
Difference between historical cost depreciation and the actual depreciation calculated on the revalued amount:			
On the depreciation charge for the year	24	7,197	7,287
<b>HISTORICAL COST SURPLUS BEFORE TAXATION</b>		<b>54,858</b>	40,726
<b>HISTORICAL COST SURPLUS AFTER TAXATION, MINORITY INTEREST AND TRANSFERS FROM/TO SPECIFIC ENDOWMENT FUNDS</b>		<b>47,934</b>	37,687

# Group statement of total recognised gains and losses

For the year ended 31 July 2015

	Note	2015 £'000	2014 £'000
<b>SURPLUS AFTER DEPRECIATION OF ASSETS AT VALUATION, TAXATION AND MINORITY INTEREST</b>		<b>42,519</b>	33,403
Net appreciation on tangible fixed asset – Land & buildings values	13	84,944	-
Unrealised surplus on revaluation of tangible fixed assets – Heritage assets	13 & 34	29,443	2,700
Net appreciation on fixed asset investments	14	613	273
Appreciation on endowment asset investments	15	15,267	10,236
New endowments	22	2,008	1,544
Endowments transfer to deferred capital grants	22	-	(366)
Actuarial loss in respect of pension schemes	31	(10,773)	(43,335)
<b>TOTAL GAIN RECOGNISED DURING THE CURRENT YEAR</b>		<b>164,021</b>	4,455
Reconciliation:			
Opening reserves and endowments at 1 August		1,338,470	1,334,015
Total recognised gains for the year		164,021	4,455
<b>CLOSING RESERVES AND ENDOWMENTS AT 31 JULY</b>		<b>1,502,491</b>	1,338,470

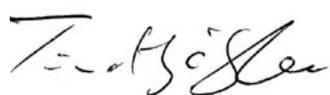
# Balance sheets

as at 31 July 2015

	Note	Group		University	
		2015 £'000	2014 £'000	2015 £'000	2014 £'000
<b>FIXED ASSETS</b>					
Tangible assets	13	<b>1,586,724</b>	1,432,670	<b>1,558,295</b>	1,403,915
Negative goodwill	36	<b>(22,857)</b>	(24,934)	<b>(22,857)</b>	(24,934)
Investments	14	<b>13,953</b>	13,379	<b>34,790</b>	37,205
		<b>1,577,820</b>	1,421,115	<b>1,570,228</b>	1,416,186
<b>ENDOWMENT ASSETS</b>					
	15	<b>317,174</b>	297,942	<b>317,174</b>	297,942
<b>CURRENT ASSETS</b>					
Stocks		<b>2,735</b>	2,686	<b>1,992</b>	1,969
Debtors	16	<b>112,011</b>	93,140	<b>109,521</b>	91,384
Investments	30	<b>330,624</b>	306,314	<b>320,346</b>	299,903
Cash at bank and in hand	30	<b>40,401</b>	74,470	<b>27,102</b>	60,697
		<b>485,771</b>	476,610	<b>458,961</b>	453,953
Less: CREDITORS: Amounts falling due within one year	17	<b>(274,732)</b>	(259,974)	<b>(252,080)</b>	(241,998)
<b>NET CURRENT ASSETS</b>					
		<b>211,039</b>	216,636	<b>206,881</b>	211,955
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>					
		<b>2,106,033</b>	1,935,693	<b>2,094,283</b>	1,926,083
Less: CREDITORS: Amounts falling due after more than one year	18	<b>(93,185)</b>	(106,521)	<b>(92,585)</b>	(106,421)
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>2,003,278</b>	1,819,602	<b>1,992,128</b>	1,810,092
NET PENSION LIABILITY	24 & 31	<b>(112,356)</b>	(102,993)	<b>(112,356)</b>	(102,993)
<b>NET ASSETS INCLUDING PENSION LIABILITY</b>					
		<b>1,890,922</b>	1,716,609	<b>1,879,772</b>	1,707,099

Represented by:	Note	Group		University	
		2015 £'000	2014 £'000	2015 £'000	2014 £'000
DEFERRED CAPITAL GRANTS	21	<b>388,376</b>	378,095	<b>381,601</b>	370,595
<b>ENDOWMENT FUNDS</b>					
Expendable	22	<b>204,296</b>	192,644	<b>204,296</b>	192,644
Permanent	22	<b>112,878</b>	105,298	<b>112,878</b>	105,298
		<b>317,174</b>	297,942	<b>317,174</b>	297,942
<b>RESERVES</b>					
Revaluation reserve	23	<b>800,996</b>	693,368	<b>799,635</b>	693,368
Income and expenditure account excluding pension reserve	24	<b>496,677</b>	450,153	<b>493,718</b>	448,187
Pension reserve	24 & 31	<b>(112,356)</b>	(102,993)	<b>(112,356)</b>	(102,993)
Income and expenditure account including pension reserve		<b>384,321</b>	347,160	<b>381,362</b>	345,194
<b>TOTAL RESERVES</b>		<b>1,185,317</b>	1,040,528	<b>1,180,997</b>	1,038,562
MINORITY INTERESTS		<b>55</b>	44	-	-
<b>TOTAL FUNDS</b>		<b>1,890,922</b>	1,716,609	<b>1,879,772</b>	1,707,099

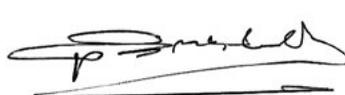
The financial statements on pages 46 to 83 were adopted by Court on 07 December 2015 and were signed on its behalf by:



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



**Dr Anne Richards**  
Vice-Convenor of Court



**Phil McNaull**  
Director of Finance

# Group cash flow statement

For the year ended 31 July 2015

	Note	2015 £'000	2014 £'000
NET CASH INFLOW FROM OPERATING ACTIVITIES	25	<b>37,004</b>	52,566
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE	26	<b>9,436</b>	9,381
TAXATION	11	<b>(3)</b>	(31)
CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT	27	<b>(56,095)</b>	(28,637)
MANAGEMENT OF LIQUID RESOURCES	28	<b>(24,310)</b>	(1,673)
FINANCING	29	<b>(1,954)</b>	(1,491)
<b>(DECREASE)/INCREASE IN CASH IN THE YEAR</b>		<b>(35,922)</b>	30,115
<b>RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET FUNDS</b>			
(Decrease)/increase in cash in the year		<b>(35,922)</b>	30,115
Cash inflow from increase in liquid resources	28	<b>24,310</b>	1,673
Decrease in net debt resulting from cash flows	29	<b>1,954</b>	1,491
Movement in net funds for the year	30	<b>(9,658)</b>	33,279
Net funds at start of year	30	<b>276,392</b>	243,113
<b>NET FUNDS AT CLOSE OF YEAR</b>	30	<b>266,734</b>	276,392

# Notes to the financial statements

## 1. STATEMENT OF PRINCIPAL ACCOUNTING POLICIES

The accounting policies selected follow the principles laid out in FRS 18 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 on a going concern basis 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.

# Notes to the financial statements

## (continued)

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

#### Land and buildings

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

Land and buildings owned by the University were independently valued by Messrs Gerard Eve, an independent firm of chartered surveyors, as at 1 August 2014. 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 2014, 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 10 to 15 years. Certain other subsidiaries provide different rates of depreciation to that of the parent. These have an immaterial effect on the results of the group.

#### Heritage assets

The University holds and conserves a number of collections, exhibits, artefacts and other assets of historical, artistic or scientific importance. In accordance with FRS 15 and FRS 30: Heritage assets, heritage assets acquired before 1 August 1999 have not been capitalised at cost but have been included at valuation since reliable estimates of cost 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 of all heritage assets is reviewed annually and revalued on a replacement cost basis where required. The 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 and is accordingly amortised over the period of estimated economic benefit. A full year of amortisation is taken in the year of acquisition.

#### 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.

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 FRS 28, 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 year 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

	2015 £'000	2014 £'000
<b>Recurrent grant</b>		
Teaching	72,489	76,316
Research	100,896	100,446
<b>Specific grants</b>		
Information systems	5,089	5,563
Infrastructure grants for research, teaching and learning	8,613	2,954
Other including research pooling	12,302	14,577
<b>Deferred capital grants released in year</b>		
Buildings (note 21)	3,538	3,383
Equipment (note 21)	688	877
	<b>203,615</b>	<b>204,116</b>

### 3. TUITION FEES AND EDUCATION CONTRACTS

	2015 £'000	2014 £'000
Non-EU fees	115,060	100,906
Undergraduate students at Home & EU rate	24,576	26,166
Postgraduate and other tuition fees	27,142	23,426
RUK (new fee rate)	36,243	25,130
Research training support grants	14,761	14,586
Short course and other fees and support grants	3,966	3,853
	<b>221,748</b>	<b>194,067</b>

### 4. RESEARCH INCOME

Research grants and contracts	2015 £'000	2014 £'000
Research councils	109,579	109,101
UK based charities	44,940	43,178
UK central government bodies, local and health authorities	18,064	17,903
UK industry, commerce and public corporations	7,558	5,413
EU government bodies	26,148	24,325
EU other	2,903	2,071
Other overseas	7,275	6,714
Other sources	9,056	7,229
	<b>225,523</b>	<b>215,934</b>

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 £4,241,000 (2014: £13,176,000) has been deferred (see note 21) to match expenditure on buildings and plant that have been capitalised. Research income of £10,828,000 (2014: £3,381,000) 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 £9,434,000 (2014: £8,751,000) comprising releases on building grants of £2,813,000 (2014: £2,625,000) and equipment grants of £6,621,000 (2014: £6,126,000).

#### Research exceptional income

	2015 £'000	2014 £'000
Research and Development Expenditure Credit (RDEC) .	<b>21,868</b>	-

This exceptional item relates to claims in respect of tax credits for the periods April to July 2013 and August 2013 to July 2014 and is stated gross of Corporation Tax of £4,953,000 (see note 11).

#### 5. OTHER INCOME

	2015 £'000	2014 £'000
Residences, catering and conferences	<b>53,363</b>	50,170
<b>Specific grants, donations and other designated income</b>		
Academic and related activities	<b>29,382</b>	26,397
Academic services and support activities	<b>6,649</b>	8,802
<b>General income</b>		
Academic and related activities	<b>31,347</b>	30,460
Income generating, academic services and support activities	<b>24,483</b>	27,137
<b>Released from deferred capital grants</b>		
Buildings (note 21)	<b>1,149</b>	1,037
Equipment (note 21)	<b>1,620</b>	1,308
Benefit on acquisition (goodwill amortised)	<b>2,077</b>	2,078
	<b>150,070</b>	147,389

#### 6. ENDOWMENT AND INVESTMENT INCOME

	2015 £'000	2014 £'000
Income from expendable endowments (note 22)	<b>6,733</b>	6,689
Income from permanent endowments (note 22)	<b>3,756</b>	3,727
Other investment income	<b>490</b>	270
Other interest receivable	<b>3,620</b>	3,938
Net return on pension scheme assets (note 31)	<b>3,325</b>	4,500
	<b>17,924</b>	19,124

# Notes to the financial statements

## (continued)

### 7. STAFF COSTS

	2015	2014
<b>Staff numbers (expressed as full time equivalents* as at 31 July) were as follows :</b>		
Academic and related support	4,445	4,323
Research grants and contracts	1,981	1,921
Library, computer and other academic support services	655	646
Administration and central services	844	708
Premises	682	685
Other including income generating operations	172	161
Residences and catering operations	518	494
	<b>9,297</b>	<b>8,938</b>

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

	2015	2014
<b>Staff numbers (expressed as an employee count) were as follows:</b>		
Staff on open ended contracts	7,523	7,327
Staff on fixed term contracts	2,826	2,581
Staff on guaranteed hours	2,630	3,003
	<b>12,979</b>	<b>12,911</b>
Percentage of employees on fixed term contracts	<b>21.77%</b>	19.99%

	2015 £'000	2014 £'000
<b>Analysis of the cost of the above staff by activity:</b>		
Academic and related support	239,926	226,552
Research grants and contracts	102,405	93,075
Library, computer and other academic support services	27,450	24,703
Administration and central services	33,545	28,595
Premises	19,162	18,117
Other including income generating operations	7,391	6,546
Residences and catering operations	12,621	11,513
Unfunded pensions	837	916
Pension costs less employer contributions payable (note 31)	1,915	(23)
	<b>445,252</b>	<b>409,994</b>
<b>Analysis of the above staff cost by type:</b>		
Salaries and wages	340,083	312,836
Social security costs	27,381	25,528
Other pension costs (note 31)	75,430	68,886
Severance costs	1,521	1,828
Unfunded pensions	837	916
	<b>445,252</b>	<b>409,994</b>

## 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:

	2015 Number	2014 Number
£70,000–£79,999	<b>128</b>	125
£80,000–£89,999	<b>87</b>	78
£90,000–£99,999	<b>62</b>	60
£100,000–£109,999	<b>44</b>	47
£110,000–£119,999	<b>32</b>	25
£120,000–£129,999	<b>26</b>	23
£130,000–£139,999	<b>14</b>	11
£140,000–£149,999	<b>17</b>	11
£150,000–£159,999	<b>10</b>	10
£160,000–£169,999	<b>9</b>	11
£170,000–£179,999	<b>13</b>	13
£180,000–£189,999	<b>8</b>	4
£190,000–£199,999	<b>5</b>	5
£200,000–£209,999	<b>6</b>	7
£210,000–£219,999	<b>2</b>	2
£220,000–£229,999	<b>4</b>	1
£230,000–£239,999	<b>5</b>	4
£240,000–£249,999	<b>2</b>	1
£250,000–£259,999	<b>1</b>	1
£310,000–£319,999	-	1
£340,000–£349,999	-	1
	<b>475</b>	441

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	2015 £'000	2014 £'000
Remuneration	<b>230</b>	227
Benefits in kind	<b>2</b>	2
	<b>232</b>	229
Employee's pension contributions	<b>18</b>	18
	<b>250</b>	247
Employer's pension contributions	<b>36</b>	39
In lieu of employer's pension contribution	<b>3</b>	-
	<b>289</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.

In January 2015 the Principal was awarded and accepted an increase in basic salary in line with the JNCHES national pay award received by the majority of University staff. This is his first increase in salary since 2009. The Principal was also awarded a contractual lump sum award which he chose not to receive.

The median basic salary for Heads of Russell Group Institutions in the most recent UCEA Senior staff remuneration survey is £290,000 per annum.

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

# 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 (2014: one). Other compensation arrangements applied to two senior members of staff (2014: six staff) earning in excess of £70,000.

	2015 £'000	2014 £'000
Payments to USS for enhanced pension benefits	-	157
Other payments in respect of loss of office	223	99
	<b>223</b>	256

Severance pay was in accordance with the Remuneration Committee Policy.

### 9. OTHER OPERATING EXPENSES

	2015 £'000	2014 £'000
Academic and related expenditure	<b>80,431</b>	75,531
Research grants and contracts	<b>79,735</b>	83,907
Library, computer and other academic support services	<b>9,888</b>	13,156
Administration and central services	<b>26,399</b>	24,591
Premises – Refurbishment and maintenance	<b>38,401</b>	32,535
– Utility costs	<b>16,907</b>	17,608
– Other premises costs	<b>13,243</b>	9,757
Other including income generating operations	<b>12,678</b>	13,134
Residences and catering operations	<b>30,960</b>	29,148
	<b>308,642</b>	299,367
<b>Other operating expenses include:</b>		
Operating lease rentals	<b>10,061</b>	11,594
<b>Fees charged by external auditors:</b>		
Audit of these financial statements	<b>72</b>	71
Audit of financial statements of subsidiaries pursuant to legislation incl. Andrew Grant Bequest	<b>51</b>	53
Non-audit services	<b>350</b>	-

**10. INTEREST AND OTHER FINANCE COSTS**

	<b>2015</b>	2014
	<b>£'000</b>	£'000
Bank and other loans	<b>5,304</b>	5,371
Finance leases	<b>156</b>	167
	<b>5,460</b>	5,538

**11. TAXATION**

	<b>2015</b>	2014
	<b>£'000</b>	£'000
UK corporation tax charge on subsidiaries' profits	<b>3</b>	31
Exceptional item: Tax on RDEC income	<b>4,953</b>	-
	<b>4,956</b>	31

The exceptional item relates to tax payable the Research and Development Expenditure Credit (RDEC) of £21,868,000 included in University research income receivable (Note 4) as at July 2015 and included in the tax surplus of the University for the years ending July 2013 and 2014. This provision for tax of £4,953,000 is a non-cash item and the net exceptional £16,915,000 receivable from HMRC in respect of RDEC is included in debtors (note 16) at July 2015.

UK Corporation tax at 20.67% (2014: 22.33%)

**12. SURPLUS FOR THE YEAR**

	<b>2015</b>	2014
	<b>£'000</b>	£'000
<b>The Group surplus for the year is made up as follows:</b>		
University's surplus for the year excluding surpluses paid under gift aid to the University by subsidiaries	<b>37,529</b>	26,151
Surplus generated by subsidiary undertakings	<b>3,033</b>	4,249
Total	<b>40,562</b>	30,400

# Notes to the financial statements

## (continued)

### 13. TANGIBLE ASSETS

Group	Land and buildings £'000	Equipment £'000	Heritage assets £'000	Total £'000
<b>Cost or valuation</b>				
As at 1 August 2014	1,267,696	135,523	175,158	<b>1,578,377</b>
Revaluation	49,165	-	29,443	<b>78,608</b>
Impairment	(4,664)	-	-	<b>(4,664)</b>
Additions at cost	57,742	20,968	-	<b>78,710</b>
Disposals	(1,037)	(3,911)	-	<b>(4,948)</b>
As at 31 July 2015	1,368,902	152,580	204,601	<b>1,726,083</b>
<b>Accumulated depreciation</b>				
As at 1 August 2014	36,495	109,212	-	<b>145,707</b>
Reversal on revaluation	(35,779)	-	-	<b>(35,779)</b>
Impairment reversal	(600)	-	-	<b>(600)</b>
Charge for the year	19,642	14,305	-	<b>33,947</b>
Disposals	(5)	(3,911)	-	<b>(3,916)</b>
As at 31 July 2015	19,753	119,606	-	<b>139,359</b>
<b>Net book value</b>				
As at 31 July 2015	1,349,149	32,974	204,601	<b>1,586,724</b>
As at 31 July 2014	1,231,201	26,311	175,158	<b>1,432,670</b>

At 31 July 2015 land and buildings included £7,260,000 (2014: £23,891,000) in respect of buildings under construction.

During the year, subsidiaries of the University completed the construction of the Deaconess House residence development and commenced an extension of the Holyrood Combined Heat and Power facility to serve the central campus area.

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.

Under the requirement of FRS 15 Tangible Fixed Assets, a revaluation of the heritable properties comprising the University of Edinburgh's Estate was valued by an external valuer, Gerald Eve LLP, a regulated firm of Chartered Surveyors, as at 1 August 2014 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 at market value bases.
- Valuations were prepared in accordance with the requirements of the RICS Valuation - Professional Standards, January 2014 amendment and UK Generally Accepted Accounting Practice.

Gains on disposal of land and building fixed assets amounted to £39,135 (2014: nil).

Land and Buildings with a net book value of £187,146,000 (2014: £180,635,000) 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 1 August 2014	1,245,978	117,680	175,158	<b>1,538,816</b>
Revaluation	47,817	-	29,443	<b>77,260</b>
Impairment	(2,157)	-	-	<b>(2,157)</b>
Additions at cost	56,736	19,368	-	<b>76,104</b>
Disposals	(1,037)	(3,750)	-	<b>(4,787)</b>
As at 31 July 2015	1,347,337	133,298	204,601	<b>1,685,236</b>
<b>Accumulated depreciation</b>				
As at 1 August 2014	36,482	98,419	-	<b>134,901</b>
Reversal on revaluation	(35,779)	-	-	<b>(35,779)</b>
Impairment reversal	(600)	-	-	<b>(600)</b>
Charge for the year	18,994	13,180	-	<b>32,174</b>
Disposals	(5)	(3,750)	-	<b>(3,755)</b>
As at 31 July 2015	19,092	107,849	-	<b>126,941</b>
<b>Net book value</b>				
As at 31 July 2015	1,328,245	25,449	204,601	<b>1,558,295</b>
As at 31 July 2014	1,209,496	19,261	175,158	<b>1,403,915</b>

At 31 July 2015 land and buildings included £5,934,000 (2014: £14,879,000) in respect of buildings under construction.

During the year construction was completed on the Bumstead building (the second of two avian research facilities at the Easter Bush campus) the new Institute of Genetics and Molecular Medicine at the Western General Hospital and the Mary Brück Building for Science and Engineering at the King's Buildings.

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 £2,383,473 (2014: £2,204,698) of buildings fixtures and fittings held under finance leases. The depreciation charge on these assets for the year was £33,526 (2014: £35,446).

#### Net book value historical cost equivalent

	Group		University	
	2015 £'000	2014 £'000	2015 £'000	2014 £'000
Land and buildings	<b>831,518</b>	764,727	<b>810,923</b>	744,490
Equipment	<b>32,974</b>	26,311	<b>25,449</b>	19,261
Heritage assets	<b>4,061</b>	4,061	<b>4,061</b>	4,061
	<b>868,553</b>	795,099	<b>840,433</b>	767,812

# Notes to the financial statements

## (continued)

### 13. TANGIBLE ASSETS (CONTINUED)

The group depreciation charge has been matched by:

	Group	
	2015 £'000	2014 £'000
Deferred capital grant released (note 21)	16,429	15,356
Revaluation reserve transferred to general reserves (note 23)	7,197	7,287
Earnings in subsidiaries	1,773	665
General income	8,548	8,984
	<b>33,947</b>	32,292

### 14. INVESTMENTS

	Group		University	
	2015 £'000	2014 £'000	2015 £'000	2014 £'000
<b>Movements in the year</b>				
University general reserve fund				
Balance at 1 August	12,426	14,865	12,426	14,865
Disposals	-	(2,712)	-	(2,712)
Net appreciation (note 23)	615	273	615	273
Balance at 31 July	<b>13,041</b>	12,426	<b>13,041</b>	12,426
<b>Other investments</b>				
Balance at 1 August	953	645	24,779	17,264
Additions	-	366	7,293	-
Depreciation (note 23)	(2)	-	(2,426)	-
Loans (repaid)/advanced	(39)	(58)	(7,897)	7,515
Balance at 31 July	<b>912</b>	953	<b>21,749</b>	24,779
Total investments within fixed assets	<b>13,953</b>	13,379	<b>34,790</b>	37,205
<b>Represented by:</b>				
Investment in subsidiary companies at cost	-	-	11,744	4,451
Loans to subsidiary companies	-	-	9,794	20,058
Fixed interest stocks	2,348	1,395	2,348	1,395
Equities	10,693	10,902	10,693	10,902
Bank deposits	-	129	-	129
Other investments	912	953	210	270
Total investments within fixed assets	<b>13,953</b>	13,379	<b>34,789</b>	37,205
Investments at cost	<b>14,769</b>	13,112	<b>36,307</b>	36,360

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.

#### UoE Accommodation Limited

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

#### UoE HPCX Limited

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

#### UoE Utilities Supply Company Limited

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

#### FloWave TT Limited

The University owns 100 per cent of the issued share capital of FloWave TT Limited, consisting of one ordinary share of £1. The Company's principal activity is the provision and operation of wavetank facilities for the testing of marine energy and other devices in simulated wave and tidal current conditions.

#### Old College Capital LLP

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

#### Research into Results Limited

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

#### Edinburgh University Press Limited

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

#### The University of Edinburgh Development Trust

The University of Edinburgh Development Trust is a charity registered in Scotland, Registered Charity No SC004307. The trust is classed as a "quasi-subsidiary" 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-subsidiary" 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.

Other subsidiary undertakings are as follows:

#### University of Edinburgh Deaconess Limited (UoEDL)

The University owns 100 per cent of the share capital, consisting of 22,821,322 ordinary shares of £1 in UOEDL, a company registered in England. The main activities are that of investing in and operating student accommodation property, and in particular, Deaconess House.

#### Sunergos Innovations Limited

The University owns 100 per cent of the share capital, consisting of 100 ordinary shares of £1. The company was registered in Scotland during the year. The main activities will include the commercial exploitation of intellectual property arising from medical research.

#### Overseas Offices

The University operates overseas offices of which several are incorporated including the North American Office - University of Edinburgh incorporated, registered in the United States which supports the University's activity in North America and the Hong Kong Centre for Carbon Innovation Limited.

Associated undertakings include the following:

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

# Notes to the financial statements

(continued)

## 15. ENDOWMENT ASSETS

	Group and University	
	2015 £'000	2014 £'000
As at 1 August	<b>297,942</b>	283,525
New endowment investment (note 27)	<b>7,246</b>	4,192
Disposal of endowment investment	<b>(1,147)</b>	(1,395)
Increase in market value of investments (note 22)	<b>15,267</b>	10,236
(Decrease)/increase in cash balances held by fund manager	<b>(472)</b>	155
(Decrease)/increase in cash balances held by the University and Development Trust	<b>(1,853)</b>	884
Increase in working capital	<b>191</b>	345
As at 31 July	<b>317,174</b>	297,942
<b>Represented by:</b>		
Equities	<b>195,379</b>	186,393
Fixed interest stocks	<b>41,881</b>	60,044
Property	<b>68,179</b>	42,053
Venture capital	<b>1,298</b>	-
Bank deposits held at fund managers	<b>6,490</b>	1,258
Bank deposits held by the University	<b>(54)</b>	2,059
Cash balances held by the University and Development Trust (note 30)	<b>1,710</b>	3,563
Working capital	<b>2,291</b>	2,572
Total endowment assets	<b>317,174</b>	297,942
Endowment assets – at cost	<b>260,679</b>	248,789



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.

**16. DEBTORS**

	Group		University	
	2015 £'000	2014 £'000	2015 £'000	2014 £'000
<b>Amounts falling due within one year</b>				
Debtors	<b>98,127</b>	76,597	<b>93,713</b>	71,345
Amounts owing from subsidiary companies	-	-	<b>3,291</b>	4,079
Prepayments and accrued income	<b>13,884</b>	16,543	<b>12,517</b>	15,960
	<b>112,011</b>	93,140	<b>109,521</b>	91,384

Debtors include the RDEC claim of £21.8 million received in August 2015

**17. CREDITORS: amounts falling due within one year**

	Group		University	
	2015 £'000	2014 £'000	2015 £'000	2014 £'000
Unsecured loans (note 19)	<b>13,272</b>	1,905	<b>13,272</b>	1,905
Finance lease (note 19)	<b>156</b>	141	<b>156</b>	141
Creditors	<b>33,787</b>	40,010	<b>32,465</b>	37,405
Social security and other taxation payable	<b>9,586</b>	9,408	<b>9,553</b>	9,380
Accruals and deferred income	<b>217,931</b>	208,510	<b>196,634</b>	193,167
	<b>274,732</b>	259,974	<b>252,080</b>	241,998

**18. CREDITORS: amounts falling due after more than one year**

	Group		University	
	2015 £'000	2014 £'000	2015 £'000	2014 £'000
Bank loans (note 19)	<b>91,341</b>	104,522	<b>90,841</b>	104,522
Obligations under finance leases (note 19)	<b>1,232</b>	1,387	<b>1,232</b>	1,387
Other creditors	<b>612</b>	612	<b>512</b>	512
	<b>93,185</b>	106,521	<b>92,585</b>	106,421

# Notes to the financial statements

## (continued)

### 19. BORROWINGS

	Group	
	2015 £'000	2014 £'000
<b>Bank loans</b>		
Bank loans are repayable as follows:		
In one year or less	13,272	1,905
Between two and five years	11,131	20,243
In five years or more	80,210	84,279
	<b>104,613</b>	106,427
Less: falling due within one year (note 17)	<b>(13,272)</b>	(1,905)
Total bank loans (note 18)	<b>91,341</b>	104,522

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.

	2015 £'000	2014 £'000
	<b>Finance leases</b>	
Obligations under finance leases due as follows:		
In one year	156	141
Between two and five years	936	823
After five years	296	564
	<b>1,388</b>	1,528

### 20. PROVISIONS FOR LIABILITIES

	Group and University	
	2015 £'000	2014 £'000
<b>Unfunded pensions</b>		
As at 1 August	9,570	9,570
Utilised in year	<b>(768)</b>	(811)
Transfer from income and expenditure account	<b>768</b>	811
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.

**21. DEFERRED CAPITAL GRANTS**

Group	Funding council £'000	Other grants & benefactions £'000	Research income £'000	Total £'000
As at 1 August				
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>
Cash receivable				
Buildings	10,049	92	4,241	<b>14,382</b>
Equipment	510	990	10,828	<b>12,328</b>
	10,559	1,082	15,069	<b>26,710</b>
Released to income and expenditure account				
Buildings	(3,538)	(1,149)	(2,813)	<b>(7,500)</b>
Equipment	(688)	(1,620)	(6,621)	<b>(8,929)</b>
	(4,226)	(2,769)	(9,434)	<b>(16,429)</b>
As at 31 July				
Buildings	187,146	60,883	120,803	<b>368,832</b>
Equipment	690	6,141	12,713	<b>19,544</b>
	187,836	67,024	133,516	<b>388,376</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	Total £'000
As at 1 August				
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>
Cash receivable				
Buildings	10,049	92	4,241	<b>14,382</b>
Equipment	510	990	10,828	<b>12,328</b>
	10,559	1,082	15,069	<b>26,710</b>
Released to income and expenditure account				
Buildings	(3,538)	(894)	(2,813)	<b>(7,245)</b>
Equipment	(688)	(1,150)	(6,621)	<b>(8,459)</b>
	(4,226)	(2,044)	(9,434)	<b>(15,704)</b>
As at 31 July				
Buildings	187,146	58,492	120,803	<b>366,441</b>
Equipment	690	1,757	12,713	<b>15,160</b>
	187,836	60,249	133,516	<b>381,601</b>

**22. ENDOWMENT FUNDS**

	Group and University					
	Permanent unrestricted £'000	Permanent restricted £'000	Permanent total £'000	Expendable restricted £'000	2015 total £'000	2014 total £'000
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
At 1 August	4,639	100,659	<b>105,298</b>	<b>192,644</b>	<b>297,942</b>	283,525
New endowments	-	1,457	<b>1,457</b>	<b>551</b>	<b>2,008</b>	1,544
Appreciation of endowment investments	246	5,299	<b>5,545</b>	<b>9,722</b>	<b>15,267</b>	10,236
Investment income for the year (note 6)	166	3,590	<b>3,756</b>	<b>6,733</b>	<b>10,489</b>	10,416
Expenditure for the year	(166)	(3,012)	<b>(3,178)</b>	<b>(5,354)</b>	<b>(8,532)</b>	(7,413)
Transferred to deferred capital grants	-	-	-	-	-	(366)
As at 31 July	4,885	107,993	<b>112,878</b>	<b>204,296</b>	<b>317,174</b>	297,942
Represented by:						
Capital	4,885	95,322	<b>100,207</b>	<b>172,703</b>	<b>272,910</b>	258,116
Accumulated income	-	12,671	<b>12,671</b>	<b>31,593</b>	<b>44,264</b>	39,826
	4,885	107,993	<b>112,878</b>	<b>204,296</b>	<b>317,174</b>	297,942



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.

**23. REVALUATION RESERVE**

	Group		University	
	2015 £'000	2014 £'000	2015 £'000	2014 £'000
As at 1 August	<b>693,368</b>	697,682	<b>693,368</b>	697,682
Revaluation of tangible assets during the year – Property (note 13)	<b>84,944</b>	-	<b>83,583</b>	-
Revaluation of tangible assets during the year – Investments (note 14)	<b>613</b>	273	<b>613</b>	273
Revaluation of tangible assets during the year – Heritage Assets (note 34)	<b>29,443</b>	2,700	<b>29,443</b>	2,700
Transfer to general reserve - depreciation on revalued assets (note 24)	<b>(7,197)</b>	(7,287)	<b>(7,197)</b>	(7,287)
Disposals in the year (note 24)	<b>(175)</b>	-	<b>(175)</b>	-
As at 31 July	<b>800,996</b>	693,368	<b>799,635</b>	693,368



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	
	2015 £'000	2014 £'000	2015 £'000	2014 £'000
<b>GENERAL RESERVE INCLUDING PENSION LIABILITY</b>				
At 1 August	<b>347,160</b>	352,808	<b>345,194</b>	348,542
Surplus attributable to the year	<b>40,562</b>	30,400	<b>39,569</b>	32,700
Depreciation on revalued assets (note 23)	<b>7,197</b>	7,287	<b>7,197</b>	7,287
Realisation of revaluation gains of previous years	<b>175</b>	-	<b>175</b>	-
Pension actuarial (loss)/gain	<b>(10,773)</b>	(43,335)	<b>(10,773)</b>	(43,335)
Balance at 31 July	<b>384,321</b>	347,160	<b>381,362</b>	345,194
<b>Represented by</b>				
<b>INCOME AND EXPENDITURE ACCOUNT</b>				
At 1 August	<b>450,153</b>	416,989	<b>448,187</b>	412,723
Surplus attributable to the year	<b>40,562</b>	30,400	<b>39,569</b>	32,700
Transfer from pension reserve	<b>(1,410)</b>	(4,523)	<b>(1,410)</b>	(4,523)
Transfer from revaluation reserve	<b>7,372</b>	7,287	<b>7,372</b>	7,287
Balance at 31 July	<b>496,677</b>	450,153	<b>493,718</b>	448,187
<b>Group and University</b>				
<b>2015 2014</b>				
<b>£'000 £'000</b>				
<b>PENSION RESERVE</b>				
At 1 August			<b>(102,993)</b>	(64,181)
Current service cost			<b>(14,266)</b>	(12,460)
Past service cost on settlement			-	(52)
Employer contributions			<b>12,287</b>	12,468
Contributions in respect of unfunded benefits			<b>64</b>	67
Net finance income on assets (notes 6 & 10)			<b>3,325</b>	4,500
Transfer from income and expenditure account			<b>1,410</b>	4,523
Actuarial loss (note 31)			<b>(10,773)</b>	(43,335)
At 31 July			<b>(112,356)</b>	(102,993)



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

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

	2015			2014 £'000
	Result before exceptional items £'000	Exceptional items £'000	Result for year £'000	
Surplus before tax and minority interest	25,618	21,868	<b>47,486</b>	33,439
<b>Non-cash adjustments</b>				
Depreciation and impairment (note 13)	33,347	-	<b>33,347</b>	32,292
Release of negative goodwill (note 36)	(2,077)	-	<b>(2,077)</b>	(2,078)
Deferred capital grants released to income (note 21)	(16,429)	-	<b>(16,429)</b>	(15,356)
Loss on disposal of fixed assets	(39)	-	<b>(39)</b>	-
	14,802	-	<b>14,802</b>	14,858
<b>Pension scheme non-cash income and expenditure</b>				
Net finance income on pension scheme assets (note 6)	(3,325)	-	<b>(3,325)</b>	(4,500)
Pension service cost in excess of contributions payable (note 31)	1,915	-	<b>1,915</b>	(23)
	(1,410)	-	<b>(1,410)</b>	(4,523)
<b>Working capital movements</b>				
Increase in stocks	(49)	-	<b>(49)</b>	(222)
(Increase)/Decrease in debtors	2,961	(21,868)	<b>(18,907)</b>	4,570
Increase in accruals and deferred income	10,554	-	<b>10,554</b>	7,011
(Decrease)/Increase in creditors	(6,333)	-	<b>(6,333)</b>	6,519
	7,133	(21,868)	<b>(14,735)</b>	17,878
<b>Returns on investment net of servicing of finance</b>				
Endowment income (note 22)	(10,489)	-	<b>(10,489)</b>	(10,416)
Other investment income (note 6)	(490)	-	<b>(490)</b>	(270)
Interest receivable (note 6)	(3,620)	-	<b>(3,620)</b>	(3,938)
Bank, other loan & finance lease interest payable (note 10)	5,460	-	<b>5,460</b>	5,538
	(9,139)	-	<b>(9,139)</b>	(9,086)
<b>NET CASH INFLOW FROM OPERATING ACTIVITIES</b>	<b>37,004</b>	-	<b>37,004</b>	52,566

# Notes to the financial statements

(continued)

## 26. RETURN ON INVESTMENT AND SERVICING OF FINANCE

	2015 £'000	2014 £'000
Endowment funds dividends and interest received	10,770	10,238
Other investment income	490	270
Interest received	3,656	4,377
Interest paid	(5,324)	(5,337)
Finance lease interest paid	(156)	(167)
<b>NET CASH INFLOW FROM RETURNS ON INVESTMENT AND SERVICING OF FINANCE</b>	<b>9,436</b>	9,381

## 27. CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT

	2015 £'000	2014 £'000
<b>Capital investment</b>		
Purchases of tangible assets	(78,009)	(52,688)
Proceeds from sale of fixed assets	1,071	400
Deferred capital grants received – funding councils	5,420	7,628
Deferred capital grants received – research and other sponsors	19,475	14,872
	<b>(52,043)</b>	(29,788)
<b>Financial investment</b>		
Purchase of investments (note 14)	39	(308)
Proceeds from the sale of investments (note 14)	-	2,712
Purchase of endowment investment assets (note 15)	(7,246)	(4,192)
Disposal of endowment investment assets (note 15)	1,147	1,395
New endowments received (note 22)	2,008	1,544
	<b>(4,052)</b>	1,151
<b>NET CASH OUTFLOW FROM CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT</b>	<b>(56,095)</b>	(28,637)

**28. MANAGEMENT OF LIQUID RESOURCES**

	<b>2015</b>	2014
	<b>£'000</b>	£'000
Increase in deposits	<b>(24,310)</b>	(1,673)
<b>NET CASH OUTFLOW FROM THE MANAGEMENT OF LIQUID RESOURCES</b>	<b>(24,310)</b>	(1,673)

**29. FINANCING**

	<b>2015</b>	2014
	<b>£'000</b>	£'000
New loans	<b>500</b>	-
Loan repayments	<b>(2,314)</b>	(1,362)
Capital repayment of finance lease obligations	<b>(140)</b>	(129)
<b>NET CASH OUTFLOW FROM FINANCING</b>	<b>(1,954)</b>	(1,491)

**30. ANALYSIS OF NET FUNDS**

	As at 1 August 2014 £'000	Cash flows £'000	Other changes £'000	As at 31 July 2015 £'000
Cash in hand and at bank	74,470	(34,069)	-	<b>40,401</b>
Endowment assets: cash balance held by University and Development Trust (note 15)	3,563	(1,853)	-	<b>1,710</b>
Total cash in hand and at bank	78,033	(35,922)	-	<b>42,111</b>
Current asset investments: bank deposits	306,314	24,310	-	<b>330,624</b>
Total cash and bank deposits	384,347	(11,612)	-	<b>372,735</b>
Debt due within 1 year (note 17)	(1,905)	2,314	(13,681)	<b>(13,272)</b>
Debt due after 1 year (note 19)	(104,522)	(500)	13,681	<b>(91,341)</b>
Finance leases (note 19)	(1,528)	140	-	<b>(1,388)</b>
Total debt	(107,955)	1,954	-	<b>(106,001)</b>
<b>NET FUNDS</b>	276,392	(9,658)	-	<b>266,734</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 University employees but some former employees of Moray House Institute of Education, Edinburgh College of Art and the Medical Research Council Human Genetics Unit remain members of the Scottish Teachers Superannuation Scheme (STSS), the Strathclyde Pension Fund (SPF), the Lothian Pension Fund (LPF) and the Medical Research Council Pension Scheme (MRCPS). The Federated Superannuation Scheme for Universities (FSSU) covers a small number of academic staff that did not transfer to USS when it was introduced in 1975.

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. No 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.

#### Overall scheme participation and pension costs

Pension scheme	Employer contribution rate at 31 July 2015	Employee contribution rate at 31 July 2015	Active members at 31 July 2015	Pension costs year to 31 July 2015 £'000	Active members at 31 July 2014	Pension costs year to 31 July 2014 £'000
<b>Defined contribution treatment</b>						
		Final salary: 7.5%				
		Career revalued				
USS	16%	benefit: 6.5%	6,861	58,641	6,919	54,555
STSS	14.90%	6.4% to 11.2%	82	517	90	539
MRCPS	14.90%	5.25% to 6.5%	80	506	92	265
NEST	3%	1%	948	546	879	431
Other: NHS and subsidiaries	13.5	5% to 13.3%	65	954	59	584
Sub-total: members and costs			8,036	61,164	8,039	56,374
<b>Accounted for under FRS 17</b>						
EUSBS	20.30%	7.50%	2,029	13,900	2,223	12,100
SPF	27.9% *	5.5% to 11.2%	31	220	36	251
LPF	14.9% **	5.5% to 11.2%	32	146	35	161
Sub-total: Members and service cost per FRS 17 disclosures below			2,092	14,266	2,294	12,512
Total members and cost (note 7)			10,128	75,430	10,333	68,886

\* An additional SPF employers contribution of £687,000 is payable for the 12 months ending 31 March 2016

\*\* An additional LPF employers contribution of £174,200 is payable for the 12 months ending 31 March 2016

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

Pension scheme	Discount rate	Salary increase rate	Pensions increase rate	Mortality rate(1): current pensioners males	Mortality rate: current pensioners females	Mortality rate: non-pensioners males	Mortality rate: non-pensioners females
USS	3.50%	3.5% (2) 2% above real rate of return	3.3% (3)	24.2	26.3	26.2	28.6
STSS	4.90%		-	27.5	29.5	28.0	30.0
<b>FRS 17 assumptions</b>							
EUSBS	3.20%	3.25%(4)	3.10%(5)	21.2	23.4	22.5	24.9
SPF	3.50%	3.15%	3.15%	20.7	23.1	22.9	25.3
LPF	3.50%	3.15%	3.15%	20.7	23.1	22.9	25.3

1. Mortality rates are based on assumed life expectations at the retirement age.
2. Salary increases are assumed to be 3.5 per cent per annum for 4 years and 4 per cent thereafter.
3. Reflecting historic scheme experience and pensions would increase by 3.3 per cent per annum for three years following the valuation and thereafter 2.4 per cent.
4. Salary increases are assumed to be 3.25 per cent per annum for four years, 4.25 per cent per annum thereafter.
5. Rate of increase in pensions prior to 31 December 2010 is 2.5 per cent and 3.10 per cent thereafter.

### 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 year. In 2015 the contribution rate payable to fund the benefits payable to the University's employees was 16 per cent (2014: 16 per cent). The total cost charged to the income and expenditure account shown in the table above was £58,641,000 (2014: £54,555,000).

The latest triennial actuarial valuation of the scheme was 31 March 2011 ("the valuation date") which was carried out using the projected unit method. The 2014 valuation is not yet finalised and is under consultation in order to agree a recovery plan which will include a reduction in future benefits and increase in employer contributions. It is expected the employer contributions will increase to 18 per cent from 1 April 2016.

The 2011 valuation 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. At the valuation date, the value of the assets of the scheme was £32.4 billion and the value of the scheme's technical provisions was £35.3 billion indicating a shortfall of £2.9 billion. The assets therefore were sufficient to cover 92 per cent of the benefits which had accrued to members after allowing for expected future increases in earnings.

FRS 17 numbers have also been produced by the scheme actuary. The key assumptions are summarised in the above table with the demographic assumptions related to mortality based on the Continuous Mortality Investigation's (CMI) S1NA Tables 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 cent per annum long-term rate were also adopted. The assumed life expectations are shown in the key actuarial assumptions table above.

At the valuation date, the value of the assets of the scheme was £49.0 billion (2014: £41.6 billion) and the value of the scheme's liabilities was £67.6 billion (2014: £55.5 billion) indicating a deficit under FRS 17 of £18.6 billion (2014: £13.9 billion) a funding level of 72 per cent (2014 75 per cent).

# Notes to the financial statements

## (continued)

### 31. PENSION FUNDS (CONTINUED)

#### 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 per cent to 14.9 per cent of pensionable salaries from 1 April 2009. Future pension contribution rates will be set by the schemes actuary at a level to meet the cost of pensions as they accrue.

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

As a result of the merger with the Human Genetics Unit the University obtained membership of the Medical Research Council Pension Scheme (MRCPS) with effect from 1 October 2011. The MRC is a final salary pension scheme. Under the definitions set out in FRS 17, the MRCPS is a multi-employer scheme. Under the terms of the merger the MRCPS is responsible for the past service liabilities prior to the merger and the University is responsible for the future service from the merger date. The University is unable to identify its share of the underlying assets and liabilities of the scheme. Accordingly, the University has taken advantage of the exemption in FRS 17 and has accounted for its contributions as if it were a defined contribution scheme. The following information is available on the scheme:

The MRCPS provides benefits based on service and final pensionable pay at the normal retirement age of 65. It is a defined benefit scheme that prepares its own scheme statements. Benefits accrue at the rate of 1/80th of pensionable salary for each year of service. In addition, a lump sum equivalent to three years' pension is payable on retirement. Members pay contributions of between 6 per cent and 6.5 per cent pensionable earnings to the scheme. In addition to the principal section, the supplementary benefits section exists to provide additional benefits in the event of ill-health retirement or death in service. It is solely funded by members' contributions.

The required MRCPS contribution rate is assessed every three years in accordance with advice of the Government Actuary. The latest actuarial assessment of the MRCPS was at 31 December 2010, at which the market value of the assets of the MRCPS was £884 million (2007: £869 million). The actuarial value of the assets was sufficient to cover 110 per cent of the benefits that had accrued to members after allowing for expected future increases in earnings. Triennial valuations are conducted under the Pensions Act 2004 on a scheme specific funding basis. The scheme is 110% funded on an ongoing basis. The present MRCPS employers' contribution rate is 14.9 per cent.

#### National Employee Savings Trust (NEST)

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

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

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

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

As a result of the merger with the Human Genetics Unit, the University gained a number of staff in the NHSSS pension scheme. Under the definitions set out in FRS 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 to additional benefits that may arise under the FSSU Supplementation scheme. These additional benefits are unfunded and are paid direct to retired members by the Court. Full provision has been made in the year for the actuarial valuation of the liabilities of this scheme.

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

### Unfunded pensions

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

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

See Provision for liabilities (note 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 2015 and has been rolled forward as the basis for the following valuation under FRS 17. As at 31 July 2015, the value of the assets in the scheme was £319 million (2014: £289 million) and the present value of the funded and unfunded benefits accrued was £424 million (2014: £383 million), leaving a shortfall of £105 million (2014: £94 million) included in the University pension liability.

The assets in the SBS scheme and the expected rates of return were:	Long-term rate of return expected at 31 July 2015	Value at 31 July 2015 £m	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
Equities	6.00%	126.3	7.60%	114.0	8.00%	168.8
Fixed interest government bonds	2.50%	44.6	3.35%	49.9	3.30%	47.8
Corporate bonds	3.75%	28.5	4.10%	17.6	4.60%	16.7
Property	5.50%	32.6	4.70%	28.4	7.00%	24.5
Private equity	6.00%	23.4	6.90%	20.0	7.00%	19.9
Diversified growth fund	5.50%	61.3	6.90%	58.3	-	-
Cash	0.50%	2.1	0.90%	0.8	0.90%	0.1
Total market value of assets and expected rate of return	5.10%	318.8	6.20%	289.0	6.80%	277.8
Present value of scheme liabilities						
Funded		(423.7)		(383.0)		(336.4)
Deficit in the scheme - net pension liability		(104.9)		(94.0)		(58.6)

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

# Notes to the financial statements

## (continued)

### 31. PENSION FUNDS (CONTINUED)

#### Lothian Pension Fund (LPF)

Former members of the Edinburgh College of Art are members of the LPF scheme, which is an externally funded, multi-employer, defined benefits scheme contracted out of the State Second Pension (S2P) scheme from which pensions and other related benefits are paid. LPF is a pool into which employees' and employers' contributions and income from investments are paid, and from which previous and other related benefits are paid out, in accordance with the provisions of the Local Government Pension Scheme. The last full valuation was carried out at 31 March 2011 and the results have been rolled forward as the basis for the following valuation under FRS 17. As at 31 July 2015, the value of the University's assets in the LPF scheme was £17.7 million (2014: £16.6 million) and the present value of the funded and unfunded benefits accrued was £22.3 million (2014: £21.2 million), leaving a shortfall of £4.6 million (2014: £4.6 million) included in the University pension liability.

The assets in the LPF scheme and the expected rates of return were:	Long-term rate of return expected at 31 July 2015	Value at 31 July 2015 £m	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
Equities		11.7	6.50%	13.1	8.00%	12.8
Bonds		3.2	3.30%	1.4	4.90%	1.1
Property		1.6	4.70%	1.3	7.00%	1.3
Cash		1.2	3.60%	0.8	0.90%	0.8
Total market value of assets and expected rate of return	3.50%	17.7	5.95%	16.6	7.25%	16.0
Present value of scheme liabilities						
Funded		(22.1)		(21.0)		(18.8)
Unfunded		(0.2)		(0.2)		(0.2)
Deficit in the scheme - net pension liability		(4.6)		(4.6)		(3.0)

\*Following the adoption of FRS 102 from 1 August 2015 the long term expected rate of return has been set in line with the discount rate

Further information on the scheme is available at: [www.lpf.org.uk](http://www.lpf.org.uk).

#### Strathclyde Pension Fund (SPF)

Former members of the Moray House School of Education are members of the SPF pension scheme, which is an externally-funded, multi-employer, defined benefits scheme 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 Pension Scheme. The last full valuation was carried out at 31 March 2011 and the results have been rolled forward as the basis for the following valuation under FRS 17. As at 31 July 2015, the value of the University's assets in the SPF scheme was £25.9 million (2014: £24.7 million) and the value of the funded and unfunded benefits accrued was £28.8 million (2014: £28.9 million), leaving a deficit of £2.9 million (2014: £4.2 million) included in the University pension liability.

The assets in the SPF scheme and the expected rates of return were:	Long-term rate of return expected at 31 July 2015	Value at 31 July 2015 £m	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
Equities		19.4	6.60%	18.8	8.00%	18.1
Bonds		3.1	3.50%	3.0	4.60%	3.3
Property		3.1	4.70%	1.7	7.00%	1.7
Cash		0.3	3.60%	1.2	0.90%	0.7
Total market value of assets and expected rate of return	3.50%	25.9	5.95%	24.7	7.25%	23.8
Present value of scheme liabilities						
Funded		(28.2)		(28.3)		(25.7)
Unfunded		(0.6)		(0.6)		(0.7)
Deficit in the scheme - net pension liability		(2.9)		(4.2)		(2.6)

\*Following the adoption of FRS 102 from 1 August 2015 the long term expected rate of return has been set in line with the discount rate

Further information on the scheme is available at: [www.spfo.org.uk](http://www.spfo.org.uk).

**FRS 17 disclosures**

The following amounts were measured in accordance with the requirements of FRS 17 in respect of SBS, 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 2015 £'000</b>	Year to 31 July 2014 £'000
Current service cost	<b>14,266</b>	12,460
Past service cost	-	52
Total operating charge	<b>14,266</b>	12,512
Less contributions paid	<b>(12,351)</b>	(12,535)
Pensions costs less contributions payable (note 7)	<b>1,915</b>	(23)

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

Expected return on pension scheme assets	<b>20,743</b>	21,754
Interest on pension scheme liabilities	<b>(17,418)</b>	(17,254)
Net income to pension scheme assets (note 6)	<b>3,325</b>	4,500

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

Difference between expected and actual return on scheme assets	<b>14,296</b>	(6,063)
Experience losses arising on scheme liabilities	<b>(25,069)</b>	(35,672)
Other changes in assumptions underlying the present value of the scheme liabilities	-	(1,600)
Actuarial loss recognised in the STRGL	<b>(10,773)</b>	(43,335)

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

	<b>Year to 31 July 2015 £'000</b>	Year to 31 July 2014 £'000
Deficit in schemes at 1 August	<b>102,993</b>	64,181
<b>Movement in year:</b>		
Employer service cost (net of employee contributions)	<b>14,266</b>	12,512
Employer contributions	<b>(12,351)</b>	(12,535)
Net return on assets	<b>(3,325)</b>	(4,500)
Actuarial loss	<b>10,773</b>	43,335
Deficit in schemes at 31 July	<b>112,356</b>	102,993

# Notes to the financial statements

## (continued)

### 31. PENSION FUNDS (CONTINUED)

#### Asset and liability reconciliation

	<b>Year to 31 July 2015 £000's</b>	Year to 31 July 2014 £000's
<b>Reconciliation of liabilities</b>		
Liabilities at start of year	<b>433,122</b>	381,785
Service cost	<b>14,266</b>	12,497
Interest cost	<b>17,418</b>	17,254
Employee contributions	<b>407</b>	511
Actuarial loss	<b>25,069</b>	37,272
Benefits paid – funded	<b>(15,473)</b>	(16,145)
Benefits paid – unfunded	<b>(64)</b>	(67)
Liabilities transferred out on settlement	-	15
Liabilities at end of year	<b>474,745</b>	433,122
<b>Reconciliation of assets</b>		
Assets at start of year	<b>330,129</b>	317,604
Expected return on assets	<b>20,743</b>	21,754
Actuarial gain/(loss)	<b>14,296</b>	(6,063)
Employer contributions	<b>12,351</b>	12,535
Employee contributions	<b>407</b>	511
Benefits paid – funded	<b>(15,473)</b>	(16,145)
Benefits paid – unfunded	<b>(64)</b>	(67)
Assets distributed on settlement	-	-
Assets at end of year	<b>362,389</b>	330,129

#### History of experience gains and losses

	<b>Year to 31 July 2015</b>	Year to 31 July 2014	Year to 31 July 2013	Year to 31 July 2012	Year to 31 July 2011
<b>Difference between the expected and actual return on assets:</b>					
Amount £'000	<b>14,296</b>	(6,063)	33,286	(3,657)	2,714
Percentage of scheme assets	<b>3.9%</b>	(1.8%)	10.5%	(1.4%)	1.1%
<b>Experience (losses) and gain on scheme liabilities:</b>					
Amount £'000	<b>(25,069)</b>	(35,672)	(3,603)	20,683	539
Percentage of scheme liabilities	<b>(5.3%)</b>	(8.2%)	(0.9%)	7.5%	0.2%
<b>Total amount recognised in STRGL:</b>					
Amount £'000	<b>(10,773)</b>	(43,335)	32,683	(28,374)	7,453
Percentage of scheme liabilities	<b>(2.3%)</b>	(10.0%)	8.6%	(7.6%)	2.4%

**32. CAPITAL COMMITMENTS**

	Group		University	
	2015 £'000	2014 £'000	2015 £'000	2014 £'000
Commitments contracted for at 31 July	<b>83,701</b>	34,966	<b>83,176</b>	33,848

	Group		University	
	2015 £'000	2014 £'000	2015 £'000	2014 £'000
Amounts funded through grants and benefaction	<b>10,179</b>	<b>7,447</b>	<b>10,179</b>	7,110

**33. FINANCIAL COMMITMENTS**

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

	Group and University	
	2015 £'000	2014 £'000
<b>Land and buildings</b>		
Expiring within one year	<b>5,049</b>	4,431
Expiring within two to five years	<b>1,919</b>	714
Expiring in over five years	<b>3,735</b>	2,567
	<b>10,703</b>	7,712
<b>Other</b>		
Expiring within one year	<b>82</b>	691
Expiring within two to five years	<b>979</b>	217
Expiring in over five years	<b>-</b>	13
	<b>1,061</b>	921
Total financial commitments	<b>11,764</b>	8,633

# Notes to the financial statements

## (continued)

### 34. HERITAGE ASSETS

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

#### University policies on acquisitions, preservation, management and disposal

The University of Edinburgh *Collections Management Policy 2015–2020* is available at: [www.ed.ac.uk/information-services/library-museum-gallery/crc/about/collections-policies](http://www.ed.ac.uk/information-services/library-museum-gallery/crc/about/collections-policies).

#### Heritage assets capitalised

During 2015, arrangements were put in place to externally value the University's two major collections; the Library Special Collection of Rare Books, Manuscripts and Archives and the Fine Art Collections. These collections were last externally valued in 2006. The remaining collections, which are assessed internally by University Collections, were not revalued during the year and an uplift not applied, as doing so was not commensurate with market activity, or of material benefit to the users of the financial statements.

Collection	Method valuation	Valuation undertaken by	Information on qualifications of collection valuers can be found at
<b>Rare books and manuscripts</b>	External	Bernard Quaritch Ltd	<a href="http://www.quaritch.com">www.quaritch.com</a>
<b>Archives and manuscripts</b>	External	Bernard Quaritch Ltd	<a href="http://www.quaritch.com">www.quaritch.com</a>
<b>Museum collections (Information Services):</b>			
Musical Instrument Museums Edinburgh	External	Sothebys	<a href="http://www.sothebys.com">www.sothebys.com</a>
Art Collection	External	Sothebys and Paolozzi Foundation	<a href="http://www.sothebys.com">www.sothebys.com</a> and <a href="http://www.paolozzifoundation.org">www.paolozzifoundation.org</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>
<b>Museum collections (Colleges):</b>			
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	Internal	Bernard Quaritch Ltd	<a href="http://www.quaritch.com">www.quaritch.com</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>
Classics Teaching Collection	Internal	Prof Ben Harte & Dr Sue Rigby, School of Geosciences	<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>
Polish School of Medicine Historical Collections	Internal	Dr Maria Dlugolecka-Graham	<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

The University receives a large number of donated assets in addition to heritage assets bought by the University's Centre for Research Collections. Donated assets are not valued unless they are of special interest as the cost of doing so is not commensurate with the benefits to users of the financial statements. Donated assets that are capitalised are reported in the profit and loss account at valuation. The University also loans out and receives loans of heritage assets.

	2011 £'000	2012 £'000	2013 £'000	2014 £'000	2015 £'000
Opening balance as at 1 August	158,703	158,744	169,522	171,158	<b>175,158</b>
Additions	41	260	0	1,300	-
Acquisition of ECA	-	2,460	0	-	-
Revaluation (note 23)	-	8,058	1,636	2,700	<b>29,443</b>
Closing balance as at 31 July	158,744	169,522	171,158	175,158	<b>204,601</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: [www.ed.ac.uk/schools-departments/governance-strategic-planning/governance/university-court/membership](http://www.ed.ac.uk/schools-departments/governance-strategic-planning/governance/university-court/membership). The University has taken advantage of the exemption within FRS 8 and has not disclosed transactions with other group entities where it holds 100 per cent 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 AQUISITIONS (NEGATIVE GOODWILL)

	2015 £'000	2014 £'000
As at 1 August	24,934	27,012
Release of negative goodwill to income	(2,077)	(2,078)
As at 31 July	22,857	24,934

### 37. STUDENT SUPPORT FUNDS

	2015 HE childcare £'000	2015 HE discretionary undergraduate £'000	2015 HE discretionary postgraduate £'000	2015 Total £'000	2014 Total £'000
Opening balance as at 1 August	-	-	-	-	-
Allocation received in year	299	766	298	1,363	1,396
Expenditure	(213)	(902)	(251)	(1,366)	(1,400)
Interest received	-	3	-	3	4
Virements	(86)	133	(47)	-	-
Closing balance as at 31 July	-	-	-	-	-

# Five-year financial summary (unaudited)

GROUP INCOME AND EXPENDITURE ACCOUNT FOR THE YEAR TO 31 JULY	2015 £'000	2014 £'000	2013 £'000	2012 £'000	2011 £'000
<b>Income</b>					
<b>Funding body grants</b>					
Recurrent teaching grant	72,489	76,316	80,621	76,757	79,392
Recurrent research grant	100,896	100,446	93,439	83,243	82,160
Specific grants	26,004	23,094	26,096	25,446	24,998
Deferred capital grants released in year	4,226	4,260	4,126	3,992	2,958
Total grants	203,615	204,116	204,282	189,438	189,508
<b>Tuition fees</b>					
Home and EU higher education students	87,961	74,722	64,144	47,397	47,083
Non-EU fees	115,060	100,906	93,435	85,427	68,652
Education grants	18,727	18,439	16,500	17,474	15,325
Total fees	221,748	194,067	174,079	150,298	131,060
<b>Research grants and contracts</b>					
Research councils	109,579	109,101	97,054	94,473	84,212
UK-based charities	44,940	43,178	43,335	43,624	42,999
UK central, government bodies, local and health authorities	18,064	17,903	17,346	17,316	17,781
UK industry, commerce and public corporations	7,558	5,413	8,733	7,852	10,080
EU government bodies	26,148	24,325	23,383	19,611	17,329
EU other	2,903	2,071	1,614	1,262	721
Other overseas	7,275	6,714	5,011	4,484	4,463
Other sources	9,056	7,229	3,647	4,497	3,405
Total grants	225,523	215,934	200,123	193,119	180,990
<b>Other operating income</b>					
Residences, catering and conferences	53,363	50,170	48,195	43,668	39,434
Specific grants, donations and other designated income	36,031	35,199	28,869	40,590	35,319
General income	55,830	57,597	60,258	63,876	58,408
Released from deferred capital grants	2,769	2,345	3,059	5,783	4,388
Benefit on acquisition	2,077	2,078	1,351	1,461	-
Total other income	150,070	147,389	141,732	155,378	137,549
<b>Endowment income and interest receivable</b>					
Income from expendable endowments	6,733	6,689	5,292	5,118	5,210
Income from permanent endowments	3,756	3,727	2,991	2,567	2,473
Other investment income	490	270	485	527	475
Other interest receivable	6,945	8,438	8,802	4,442	1,965
Total endowment income and interest receivable	17,924	19,124	17,570	12,654	10,123
Total income	818,880	780,630	737,786	700,887	649,230

GROUP INCOME AND EXPENDITURE ACCOUNT FOR THE YEAR TO 31 JULY	2015 £'000	2014 £'000	2013 £'000	2012 £'000	2011 £'000
<b>Expenditure</b>					
<b>Staff costs</b>					
Salaries and wages	<b>340,083</b>	312,836	291,214	272,100	257,721
Social security costs	<b>27,381</b>	25,528	21,716	22,391	20,899
Other pension costs	<b>75,430</b>	68,886	63,180	56,071	50,864
Severance costs	<b>1,521</b>	1,828	1,750	2,064	2,299
Unfunded pensions	<b>837</b>	916	(595)	2,047	(606)
Total salaries	<b>445,252</b>	409,994	377,265	354,673	331,177
<b>Other operating expenses</b>					
Academic and related expenditure	<b>80,431</b>	75,531	68,119	62,216	55,808
Research grants and contracts	<b>79,735</b>	83,907	75,774	70,895	61,925
Library, computer and other academic support services	<b>9,888</b>	13,156	14,803	23,087	14,237
Administration and central services	<b>26,399</b>	24,591	22,696	17,091	16,075
Premises	<b>68,551</b>	59,900	61,085	54,050	57,944
Other including income generating operations	<b>12,678</b>	13,134	14,094	19,076	18,719
Residences and catering operations	<b>30,960</b>	29,148	28,194	22,438	19,221
Total other operating expenses	<b>308,642</b>	299,367	284,765	268,853	243,929
Depreciation	<b>33,947</b>	32,292	32,699	31,569	25,579
Interest payable	<b>5,460</b>	5,538	5,604	4,818	4,798
Total expenditure	<b>793,301</b>	747,191	700,333	659,913	605,483
Surplus on continuing operations	<b>25,579</b>	33,439	37,453	40,974	43,747
Exceptional items	<b>16,915</b>	-	-	-	-
Tax and minority interest	<b>(14)</b>	(36)	(14)	(61)	(4)
(Loss)/gains on disposal of assets	<b>39</b>	-	547	206	(66)
Transfers from/(to) endowment reserves	<b>(1,957)</b>	(3,003)	265	546	(1,454)
Surplus retained within general reserves	<b>40,562</b>	30,400	38,251	41,665	42,223

# Five-year financial summary (unaudited)

(continued)

GROUP BALANCE SHEET AS AT 31 JULY	2015 £m	2014 £m	2013 £m	2012 £m	2011 £m
Fixed assets	<b>1,578</b>	1,421	1,399	1,379	1,347
Endowment assets	<b>317</b>	298	284	238	237
Current assets	<b>486</b>	477	450	415	316
Total assets	<b>2,381</b>	2,196	2,133	2,032	1,900
Less current liabilities	<b>(275)</b>	(260)	(250)	(236)	(230)
Total assets less current liabilities	<b>2,105</b>	1,936	1,883	1,796	1,670
Non-current liabilities	<b>(93)</b>	(106)	(118)	(121)	(61)
Pension liability and provisions	<b>(122)</b>	(113)	(64)	(99)	(68)
TOTAL NET ASSETS	<b>1,890</b>	1,717	1,700	1,576	1,541
Represented by:					
Deferred capital grants	<b>388</b>	378	366	349	337
Endowments	<b>317</b>	298	284	238	237
Reserves	<b>1,185</b>	1,041	1,050	989	967
TOTAL FUNDS	<b>1,890</b>	1,717	1,700	1,576	1,541
	<b>2015</b>	2014	2013	2012	2011
Staff numbers (expressed as full-time equivalents) as at 31 July	<b>9,297</b>	8,938	8,342	7,871	7,255
Student numbers as at 31 July	<b>35,255</b>	33,110	32,868	31,323	28,978
<b>Performance measures set out in the Strategic Plan</b>					
ROCE (Net surplus after tax/capital employed [total assets - current liabilities ])	<b>2.5%</b>	1.7%	2.0%	2.3%	2.6%
Operating surplus as % turnover	<b>2.9%</b>	3.9%	5.2%	5.9%	6.7%
Total income per FTE	<b>£88,080</b>	£87,338	£88,442	£89,004	£89,487
% Increase/decrease in income per FTE	<b>0.8%</b>	-1.3%	-0.7%	-0.5%	3.6%
% Increase/decrease in research grant income – EU	<b>10.1%</b>	5.6%	19.8%	15.6%	-3.3%
% Increase/decrease in research grant income – Research Councils	<b>0.4%</b>	12.4%	1.6%	12.2%	2.3%
% Increase/decrease in research grant income – overseas	<b>8.4%</b>	34.0%	11.8%	0.5%	5.6%

		2015	2014	2013	2012	2011
<b>Liquidity measures</b>						
Liquidity ratio ([current assets - stock] / current liabilities)	x	<b>1.8</b>	1.8	1.8	1.7	1.3
<i>Extent to which current liabilities can be met from cash and liquid investments</i>						
Days ratio of cash to total expenditure (investments + cash at bank - overdraft) / (total expenditure - depreciation)*365	Days	<b>178</b>	194	191	187	141
<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	x	<b>4.7</b>	6.0	6.8	8.5	9.1
<i>Measures how easily the University can pay outstanding debt</i>						
Gearing (creditors > 1 year / endowment + general reserves including pension reserve)	%	<b>6.2%</b>	8.0%	8.1%	9.0%	4.5%
<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)	£m	<b>54</b>	55	59	63	60
<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	2015 % total	2014 % total	2013 % total	2012 % total	2011 % total
<b>Income</b>					
<b>Funding body grants</b>					
Recurrent teaching grant	<b>8.9%</b>	9.8%	10.9%	11.0%	12.2%
Recurrent research grant	<b>12.3%</b>	12.9%	12.7%	11.9%	12.7%
Specific grants	<b>3.2%</b>	3.0%	3.5%	3.6%	3.9%
Deferred capital grants released in year	<b>0.5%</b>	0.5%	0.6%	0.6%	0.5%
Funding council grants as % of total income	<b>24.9%</b>	26.1%	27.7%	27.0%	29.2%
<b>Tuition fees and contracts</b>					
Home and EU higher education students	<b>10.7%</b>	9.6%	8.7%	6.8%	7.3%
Non-EU fees	<b>14.1%</b>	12.9%	12.7%	12.2%	10.6%
Education grants	<b>2.3%</b>	2.4%	2.2%	2.5%	2.4%
Tuition fees as a % of total income	<b>27.1%</b>	24.9%	23.6%	21.4%	20.2%
<b>Research grants and contracts</b>					
Research councils	<b>13.4%</b>	14.0%	13.2%	13.9%	13.0%
UK-based charities	<b>5.5%</b>	5.5%	5.9%	6.2%	6.6%
UK central, government bodies, local and health authorities	<b>2.2%</b>	2.3%	2.4%	2.5%	2.7%
UK industry, commerce and public corporations	<b>0.9%</b>	0.7%	1.2%	1.3%	1.6%
EU government bodies	<b>3.2%</b>	3.1%	3.2%	3.3%	2.7%
EU other	<b>0.4%</b>	0.3%	0.2%	0.2%	0.1%
Other overseas	<b>0.9%</b>	0.9%	0.7%	0.7%	0.7%
Other sources	<b>1.1%</b>	0.9%	0.5%	0.5%	0.5%
Research grants and contracts as a % of total income	<b>27.6%</b>	27.7%	27.1%	28.6%	27.9%
<b>Other operating income</b>					
Residences, catering and conferences	<b>6.5%</b>	6.4%	6.5%	6.9%	6.1%
Specific grants, donations and other designated income	<b>4.4%</b>	4.5%	3.9%	5.8%	5.4%
General income	<b>6.8%</b>	7.4%	8.2%	7.8%	9.0%
Released from deferred capital grants	<b>0.3%</b>	0.3%	0.4%	0.4%	0.7%
Benefit on acquisition	<b>0.3%</b>	0.3%	0.2%	0.2%	0.0%
Other operating income as a % of total income	<b>18.3%</b>	18.9%	19.2%	21.1%	21.2%
<b>Endowment income and interest receivable</b>					
Income from expendable endowments	<b>0.8%</b>	0.9%	0.7%	0.7%	0.8%
Income from permanent endowments	<b>0.5%</b>	0.5%	0.4%	0.4%	0.4%
Other investment income	<b>0.1%</b>	0.0%	0.1%	0.1%	0.1%
Other interest receivable	<b>0.8%</b>	1.1%	1.2%	0.6%	0.3%
Endowment income and interest receivable as % of total income	<b>2.2%</b>	2.4%	2.4%	1.8%	1.6%
Total income £'000	<b>818,880</b>	780,630	737,786	700,887	649,230

GROUP INCOME AND EXPENDITURE ACCOUNT FOR THE YEAR TO 31 JULY	2015 % total	2014 % total	2013 % total	2012 % total	2011 % total
<b>Expenditure</b>					
<b>Staff costs</b>					
Salaries and wages	<b>42.9%</b>	41.9%	41.6%	41.2%	42.6%
Social security costs	<b>3.5%</b>	3.4%	3.1%	3.4%	3.5%
Other pension costs	<b>9.5%</b>	9.2%	9.0%	8.5%	8.4%
Severance costs	<b>0.2%</b>	0.2%	0.2%	0.3%	0.4%
Unfunded pensions	<b>0.1%</b>	0.1%	-0.1%	0.3%	-0.1%
Staff costs as % of total expenditure	<b>56.2%</b>	54.9%	53.9%	53.7%	54.7%
<b>Other operating expenses</b>					
Academic and related expenditure	<b>10.1%</b>	10.1%	9.7%	9.4%	9.2%
Research grants and contracts	<b>10.1%</b>	11.2%	10.8%	10.7%	10.2%
Library, computer and other academic support services	<b>1.2%</b>	1.8%	2.1%	3.5%	2.4%
Administration and central services	<b>3.3%</b>	3.3%	3.2%	2.6%	2.7%
Premises	<b>8.6%</b>	8.0%	8.7%	8.2%	9.6%
Other including income generating operations	<b>1.6%</b>	1.8%	2.0%	2.9%	3.1%
Residences and catering operations	<b>3.9%</b>	3.9%	4.0%	3.4%	3.2%
Other operating expenses as % of total expenditure	<b>38.8%</b>	40.1%	40.7%	40.7%	40.3%
Depreciation	<b>4.3%</b>	4.3%	4.7%	4.8%	4.2%
Interest payable	<b>0.7%</b>	0.7%	0.8%	0.7%	0.8%
Total expenditure £'000	<b>793,301</b>	747,191	700,333	659,913	605,483
Expenditure as a proportion of total income	<b>96.9%</b>	95.7%	94.9%	94.2%	93.3%

# Notes

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and sustainability

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# Notes

## Our enablers

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

## Reportable accidents/ incidents

2015	19
2014	22
2013	31
2012	41

## NSS student satisfaction with learning resources\*

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

\*Source: National Student Survey rankings

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

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

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

### 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.



### Finance

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

## Staff turnover %\*

2015	7.73%
2014	8.68%
2013	8.02%
2012	8.19%

\*By academic year

## Surplus as % turnover\*

2015	3%
2014	4%
2013	5%
2012	6%

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

Figures exclude exceptional items

## % of staff appraised\*

2015	95%
2014	92%
2013	72%

\*Figures not available prior to 2013

## Total income per FTE (£'000)\*

2015	88
2014	87
2013	88
2012	89

\*Figures exclude exceptional items

## Staff head count to 31 July\*

2015	12,979
2014	12,911
2013	12,727
2012	12,311

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

## Return on Capital Employed (ROCE)\*

2015	2.49%
2014	1.73%
2013	1.99%
2012	2.28%

\*A planned reduction in the operating surplus facilitated revenue investment in staff and infrastructure refurbishment over the three years to 31 July 2014 temporarily reduced the ROCE.

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