

*Reports and Financial Statements
of the University Court
for the year to 31 July 2003*

University of St Andrews



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MEMBERSHIP OF THE UNIVERSITY COURT AND COMMITTEES

The Rector, President

Mr A. F. Neil (until September 2002)
Sir Clement Freud (from October 2002)

Senior Governor, Vice-President

Mr W. Berry

The Principal

Dr B.A. Lang

The Deputy Principal and Master of the United College of St. Salvator and St. Leonard

Professor C. A. Vincent

The Chancellor's Assessor

Emeritus Professor D. B. Thomas

The Rector's Assessor

Mr C. Davis (until September 2002)
Miss M. Vaggers (from October 2002)

Fife Council, Convener

Mr T.M. Dair (until 14 May 2003)
Mr J. Simpson (from 15 May 2003)

Assessors of the General Council

Mr W. Berry
Mr E.D. Murray

Assessors of the Senatus Academicus

Ms A. J. Kettle
Professor H.N. Kennedy
Dr F.G. Riddell
Professor P. Winn

Non Teaching Staff Member

Dr D.M. Cottam

Student Representatives

Mr R. O'Hare, *President* (until 30 June 2003)
Mr M. Biagi, *Vice President (Representation)* (until 30 June 2003)
Mr D. MacLeod, *President* (from 1 July 2003)
Mr W. Macfarlane, *Director of Representation* (from 1 July 2003)

Co-opted Members

Mr D.A. Connell	Mrs C.A.M. Davis
Mr A.M. MacIntyre	Mr J.F. Matthews
Mr D.S. Mundie	Miss K.M. Patrick
Mrs C. Potter	Mr G.R.C. Scott

Clerk of the Court

Mr I. M. Wright

MEMBERSHIP OF THE UNIVERSITY COURT AND COMMITTEES

Capacity

ACADEMIC AUDIT COMMITTEE

Ms A.J. Kettle (Convener)
The Vice-Principal (Teaching)
The Dean of Arts
The Dean of Science
The Director of Representation, Students' Association
Professor P Wynn
Dr S Van Heyningen
Secretary : the Director of Academic Audit

Senate assessor on Court
ex officio
ex officio
ex officio
ex officio
Senate assessor on Court
External assessor

AUDIT COMMITTEE

Mr D.S. Mundie (Convener)
Mr D.A. Connell
Mr R.S. Murray
Mr G.R.C. Scott
Professor D.B. Thomas
Secretary : the Clerk of Court

Lay member of Court
Lay member of Court
Court nominee
Lay member of Court
Court nominee

EQUAL OPPORTUNITIES COMMITTEE

Mrs C.A.M. Davis (Convener)
The Master
The Convener, Equal Opportunities Forum
The Convener, Staff Committee
The Convener, Student Services Committee
Ms A.J. Kettle
Dr S.M. Nutley
The Director of Representation, Students' Association
Secretary : the Director of Human Resources

Lay member of Court
ex officio
ex officio
ex officio
ex officio
Senate assessor on Court
Senate nominee
Students' Association nominee

INVESTMENT & COLLECTIONS COMMITTEE

Mr J.F. Matthews (Convener)
The Principal
The Quaestor & Factor
Mr E.D. Murray
Miss K M Patrick
Dr M M A La Manna
Professor J A Beath
Secretary : the Financial Controller

Lay member of Court
ex officio
ex officio
Lay member of Court
Lay member of Court
Senate nominee
Senate nominee

INFORMATION POLICY COMMITTEE

Dr F.G. Riddell (Convener)
The Vice-Principal (Information)
Dr D.M. Cottam
Dr M.P. Vysny
The President, Students Association
Secretary : the Librarian

Senate assessor on Court
ex officio
Lay member of Court
Senate nominee
Students' Association nominee

GOVERNANCE & NONIMATIONS COMMITTEE

Th Rt. Hon. Menzies Campbell (Convener)
The Principal
Mr W. Berry
Mrs C.A.M. Davis
Professor P Winn
Ms A.J. Kettle
Mr T.M.Dair (until 14 May 2003)
Mr J. Simpson (from 15 May 2003)

Court nominee
ex officio
Senior Governor
Lay member of Court
Senate assessor on Court
Senate assessor on Court
Lay member of Court
Lay member of Court

MEMBERSHIP OF THE UNIVERSITY COURT AND COMMITTEES

<i>Members</i>	<i>Capacity</i>
PLANNING AND RESOURCES COMMITTEE	
Mr W. Berry (Convener)	Senior Governor
The Principal	ex officio
The Master	ex officio
The Dean of Arts	ex officio
The Dean of Science	ex officio
Convener, Investment & Collections Committee	ex officio
Convener, Information Policy Committee	ex officio
Convener, Staff Committee	ex officio
Convener, Student Services Committee	ex officio
Professor N V Richardson	Senate electee
Professor J A Beath	Senate electee
<i>Secretary : the Secretary & Registrar</i>	
REMUNERATION COMMITTEE	
Mr W. Berry (Convener)	Senior Governor
The Principal ¹	ex officio
Mr A M MacIntyre ²	Lay member of Court
Miss K M Patrick ²	Lay member of Court
<i>Secretary : the Director of Human Resources</i>	
¹ Matters affecting the Principal's own contract are considered in the absence of the Principal	
² These Lay members serve on both Remuneration and Staff Committees	
RISK MANAGEMENT COMMITTEE	
Mr D.A. Connell (Convener)	Lay member of Court
The Quaestor and Factor	ex officio
Dr D.M. Cottam	Lay member of Court
Professor P. Winn	Senate assessor on Court
Professor A.J. Torrance	Senate nominee
Professor J.D. Woollins	Senate nominee
<i>Secretary : the Clerk</i>	
STAFF COMMITTEE	
Mr A M MacIntyre ¹ (Convener)	Lay member of Court
The Principal	ex officio
The Master	ex officio
The Secretary and Registrar	ex officio
The Dean of Divinity	ex officio
The Dean of Arts	ex officio
The Dean of Science	ex officio
The Vice Principal (Staff & Student Services)	ex officio
Mr D W Loudon	Court nominee (non-academic staff)
Miss K M Patrick ¹	Lay member of Court
Professor B Roberts	Senate nominee
Dr G F San Román	Senate nominee
<i>Secretary : the Director of Human Resources</i>	
¹ These same Lay members serve on both Remuneration and Staff Committees	
STUDENT SERVICES COMMITTEE	
Miss K M Patrick (Convener)	Lay member of Court
The Vice-Principal (Staff & Student Services)	ex officio
Mrs C. Potter	Lay member of Court
Professor P.J. Boyle	Senate nominee
Dr S.C. Whiten	Senate nominee
The President, Students' Association	Students' Association nominee
The Director of Representation, Students' Association	Students' Association nominee
<i>Secretary : the Director of Student Support Services</i>	

REPORT OF THE UNIVERSITY COURT

Scope of the financial statements

The accounts for the year to 31 July 2003 have been prepared in accordance with the Statement of Recommended Practice; Accounting for Further and Higher Education Institutions. As noted in paragraph 1 of the statement of principal accounting policies (Page 16), these accounts have been prepared on a Historical Cost basis.

Payment of creditors

It is the University's policy to obtain the best terms for all business and thus there is no single policy as to the terms used. In agreements negotiated with suppliers, the University endeavours to include and abide by specific payment terms. The average creditor payment period, calculated as a proportion of the year end creditors to aggregate amounts invoiced during the year, was 32 days (2001/02: 34 days).

Equal Opportunities Policy

The University has an Equal Opportunities Policy that applies to all staff and all students. The Policy's aims are that all individuals will be treated with respect and will not be subjected to unfair discrimination in any aspect of university life. The University's aim is that all staff and students, whether existing or potential, will receive fair and equal treatment when applying to become, or working as, members of the University. The Equal Opportunities Policy aims to achieve an environment in which instances of unfair discrimination are not tolerated, and in which everyone has the opportunity to develop to their full potential.

This policy includes specific provision for existing and potential employees with disabilities and those from under-represented ethnic and racial groups. The University actively seeks ways to ensure that such individuals are not disadvantaged in their career development by factors relating to their personal circumstances.

Result for the year

The financial year 2002/2003 was a year of significant financial growth in terms of both income & expenditure with income increasing by £5.174million (7%) on the previous year. However, spending increased by around £6.200million (8.6%), largely in staffing, reflecting the University's intention to invest the financial boost earned in the 2001 Research Assessment Exercise in building upon its current reputation for high quality academic activity. This investment resulted in an operational surplus of £0.281million, a fall of £1.026million on the previous year. Having invested heavily in academic staffing during this year, the University will work to increase the year end surplus in the coming years to deliver funds for reinvestment in improving the balance sheet and in funding further infrastructure improvements.

The University incurred losses on Property transactions of £1.149million in the year, resulting in a net loss on the Income & Expenditure Account of £0.868million. This loss predominantly relates to the write off of the cost of the old David Russell Hall complex. No diminution in the economic value had previously been recognised in the accounts of the University, but with the demolition programme due for completion in December 2003, the University has recognised the full write off of this building complex in the current year accounts. The new David Russell Hall will provide around 740 modern self catered flats for students, which, in addition to boosting the overall residential capacity, will provide accommodation attractive for non term time letting purposes.

In order to fund the £27.4million investment in the new David Russell Hall, the University entered into a long term (30 year) loan arrangement with Barclays Bank during the year. In entering this arrangement, the University refinanced the existing loan agreement with the Royal Bank of Scotland

REPORT OF THE UNIVERSITY COURT

(£21.350million). As part of the agreement the University has fixed the rate of interest payable on the major part of the borrowings for 20 years while allowing the University to benefit from historically low interest rates in the short term.

During the year, income from Research totalled £18.768million (£19.216million before deferral of grants and capitalisations). During the year however, the University invested in Research staffing and infrastructure funded by the first round of the Strategic Research Infrastructure Fund. This investment, coupled with further significant investment both from the second round of the Strategic Research Infrastructure Fund and Strategic Research Development Grants, should position the University to increase the volume of research activity and income in the coming years.

The Balance Sheet total during the year has increased, reflecting the investment in infrastructure, with Fixed Assets increasing by around £8.887million. This increase has largely been financed through a growth in long term borrowings. Net current liabilities have increased during the year, continuing the trend evident in recent years. The University intends to address the shape of the Balance Sheet over the next 3 years by disposing of less needed assets, which will improve the level of short term financial resilience.

Achievement of Strategic Objectives

In recent years the University Court has reviewed the manner in which it manages and monitors the activity of the University. Previous years reviews were to bring the University in line with the requirements of the Guide for Members of Governing Bodies of Scottish Higher Education Institutions and Good Practice Benchmarks (SHEFC Circular 05/99). Following on from this review and change the University has continued to monitor and adapt its governance arrangements to ensure continued adherence to best practice and in line with the needs of the University.

University progress towards the goals and objectives outlined in the strategic plan on the wide range of activities during 2002/ 2003 is outlined below:

Admissions: the University met and surpassed its targets in relation to overseas undergraduate, postgraduate and access students, while continuing to raise already historically high entry grades. Demand has remained robust for Home/EU undergraduate places and a further, although much reduced, breach of Funding Council limits occurred. Funding has been raised for entrant bursaries to attract students from backgrounds and areas from which there has been a historically low progression into Higher Education. Significant additional funds have also been assigned from the University's fund raising campaign to promote widened participation.

Learning and Teaching: The University embraced the new SHEFC emphasis on quality enhancement in learning and teaching by a series of measures in 2002/3. These included promotion by SALTIRE (Teaching & Learning Support Unit) of the use of WebCT for greater flexibility of learning, addressing the theme of employability in the annual audit of all academic units, an internal audit of teaching of postgraduates in all Schools, extending internal quality assessment reviews to academic support units (such as the Library and Careers Advisory Service), and a review of assessment with respect to Honours classification criteria. A detailed review of the University's teaching portfolio also led to new initiatives being implemented during 2003/4 in Business Education and distance learning, both to be launched at taught postgraduate level to meet market needs and widen accessibility to the curriculum.

Student Support: During the year satisfactory progress was made on tackling student disability issues including planning with academic staff the co-ordination of provision for disabled students, restructuring of pastoral care (in particular through the revision of arrangements for wardens and advisors of study). Substantially revised student induction arrangements were introduced along with further restructuring of the Student Support Service to introduce the concept of support workers, whose purpose is to provide early and practical interventions to ensure the students are able to continue with their studies.

REPORT OF THE UNIVERSITY COURT

Research: Outcomes of the 2001 RAE were exceptional across the entire range of disciplines within the university. On grade point average we are top in Scotland, and in the top 10% of universities UK-wide. As a result, our QR grant grew by close to 30% between 2001-2 and 2002-3, resulting in some 40% of our funding from SHEFC being for research, hence making us as the most research intensive university in Scotland. All of the sciences and mathematics (including computer science) were graded 5/5*, thereby complementing the earlier (and sustained) achievements in the Arts & Humanities units, so placing some 72% of our staff in 5/5* units. All Departments achieved international excellence in some aspects of their research. Thus, all students coming to St. Andrews can be assured of being taught by staff with international reputations for research excellence.

Research Grant income has grown from £12.5million in 1999/ 2000 to £19.2million in 2002/ 2003. The outcome of the recent round of Strategic Research & Development Grant (SRDG) awards has been exceptional: from 5 proposals selected from 18 for submission to SHEFC, 2 have been funded (“Genomics to target resistant bacteria” £1.4million, “Interdisciplinary centre in Photo-Medicine” £1.06million); a further one is still subject to negotiations for funding (“Living links to human evolution research centre”); a fourth may be supported under another strand of the SRDG programme. The University is also partner in a further two awarded SRDGs (“Speckle Computing”, “Genetic Health in the 21st Century”). The first 2 proposals involve close collaboration with the University of Dundee, with the University of St Andrews investing some £0.600million by way of matching funding. Hallmarks of these proposals are interdisciplinarity, multi-institutional involvement and strategic vision. The SRIF2 award of £5.6million to the University has been approved for implementation with emphasis on building laboratory refurbishment and equipment infrastructure enhancement, focused on our research strengths in Astronomy, Biosciences, Chemistry, Computer Science, Physics, Psychology, all 5/5* schools.

The University promotes research collaboration with other institutions. It leads the £10M EPSRC funded Ultrafast Photonics Collaboration involving 6 UK universities and 5 industrial collaborators. The University is engaged in the Promoting Partnership Initiative with the University of Dundee. The AHRB Research Centre for Environmental History is a collaboration between the Universities of St Andrews and Stirling. University researchers are active in partnerships relating to European Union FP6 funding; currently involving 3 Integrated Projects, 9 Networks of Excellence and 5 Targeted Research Project applications. The School of Physics & Astronomy is exploring with other leading physics and astronomy departments in Scotland the establishment of a Scottish Alliance of Excellence in Physics & Astronomy addressing joint research themes, postgraduate training and national strategic developments. Strategic partnership agreements have recently been signed with Duke University (North Carolina) and CREOL, University of Central Florida, USA towards joint applications for research funding and research postgraduate and postdoctoral personnel exchange.

Interdisciplinary research has been encouraged by promoting inter-School events in both in the Arts (inter-School seminars in English, Classics, History, Art History, Modern Languages and International Relations) and the Sciences (workshops between the life sciences and the physical and mathematical sciences, and the promotion of interdisciplinary links with the NERC Sea Mammal Research Unit). A newly refurbished building was opened in August 2003 to house the Centre for Research in Ecological and Environmental Modelling funded from a 1.3M SHEFC grant. The University has also introduced interdisciplinary scholarships and has created the Social Dimensions in Health Institute in partnership with the University of Dundee.

Information: The use of WebCT (the University’s virtual learning environment) has grown with over 120 courses currently available and almost all Schools using it. During the summer of 2003, WebCT was upgraded to allow the integration with both the student records system and the underlying network authentication system.

We have introduced a pilot wireless service and a “loaner laptop” scheme in the main Library. The Library’s collection of past examination papers has now been moved entirely online. A huge success for the University has been the introduction of overnight Library opening during the revision/examination period in May and June 2003. St Andrews was the first university in Scotland to offer its students this service.

A significant milestone for the University has been the restructuring of the Library and Information Technology Services into two new units. Library and Information Services was formed in May 2003 under a single director to accelerate the creation of a hybrid library, with a blend of paper and digital resources appropriate to the University. Business Improvements was created with specific remit to develop new web-based information

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systems to facilitate better information delivery as well as continue support for existing systems. An important part of their remit is to examine and re-engineer University-wide business processes to improve efficiency.

The online advising process has been further developed as has the e-commerce system which was commended in the UCISA Award for Excellence scheme and was placed second in the competition run by EUNIS (European Universities Information Systems) under their Elite Award for Excellence scheme. (Both of these schemes recognise excellence in administrative systems development.) The student portal has been further developed and a new prototype staff portal created.

We have continued to promote the electronic medium for communications by introducing Student Information Points (SIPs) around the campus and introducing an electronic memo system for students to parallel that already in existence for staff.

Estates and Equipment: The University has made considerable progress in implementing significant changes within the Estates function following a Value for Money Review. A new management structure was announced in January, with changes including a major overhaul of processes. A new Customer Relations Group has been established which will assist in guiding future service development. Progress is also being made towards purchase of a computer aided facilities management system which will assist in embedding much of the new practice within the University's activities.

Governance & Nominations: The University has now finalised and implemented a comprehensive approach to the annual performance appraisal of Court Members and has made significant changes to established committee arrangements with regard to both Risk Management and Safety

Human Resources: In relation to Human Resources issues, the University has committed to an ambitious programme of pay structure review, in line with the outcomes of national negotiations. In addition to developing a process of systematic performance-related reward for off-scale employees, the University is well-placed to begin implementing new pay structures. However, this is likely to entail significant financial cost and will only result in added value to the University if implemented within the framework of a wider HR strategy and consistently with the management development initiative that is currently underway. In the course of that initiative, we have advanced institutional understanding considerably in relation to the job profiles and working relationships of senior and middle managers and the key issues arising from any performance management process; effective performance review, inclusive staff development and structured management development.

Finance: During the year the University has started the process of modernising the working practice of the Finance function and improving the working relationships between the Finance department and the rest of the University. Central to this integration of finance with the activities of the University will be the establishment of a management accounting function, to work with individual Schools and Units to improve the quality of financial management decision making throughout the University's devolved management structure.

The University has also developed plans to upgrade its Financial Management System which will see over the coming 12 months, the functionality of the system available in Schools and Units enhanced. In upgrading this system, the University has already begun the process of considering all of its financial processes with a view to modernising practice leading to improved effectiveness & efficiency in the internal control environment.

Throughout the year the University has continued to develop its e-commerce capability with the level of payments received for a variety of purposes, from academic fee payment to sponsorship for the Students' 'Rag Week', all being made on-line.

The University's Endowment fund's financial performance largely mirrored the poor performance of Global Equity markets during the year, recording at the mid year a £2.6million deficit in funds. However, following the restoration of limited stability to the markets, post Iraq, the University's investment portfolio increased in value in the second half of the year, with a year end value marginally

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higher than the value at 1 August 2002. The overall value of the University's Endowment funds was boosted by a revaluation of its Endowed heritable property, which report an increase of £4.069million.

Conclusion

Operationally, 2002/2003 has been a successful year for the University. It has purposefully invested the benefits earned in the 2001 Research Assessment. It has continued to attract a greater number of increasingly high calibre and socially diverse students from Scotland and the rest of the World, maintaining a cosmopolitan atmosphere in which its students can grow academically and socially.

Financially, 2002/2003 has been a year of change. The University has focussed on building upon its recent academic successes and has begun to develop a culture of financial management which will support further academic development. Investment in both academic and residential infrastructure also reflects the University's intention to provide the robust support needed to deliver its ambitious primary objectives.

William Berry
Senior Governor
College Gate
St Andrews

5 December 2003

RESPONSIBILITIES OF THE COURT OF THE UNIVERSITY OF ST ANDREWS

In accordance with the Universities (Scotland) Act 1889 as amended by the Universities (Scotland) Act 1966, the Court of the University of St. Andrews is responsible for the administration and management of the affairs of the University and is required to present audited financial statements for each financial year.

The Court is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the University and to enable it to ensure that the financial statements are prepared in accordance with the Universities (Scotland) Act 1889 as amended by the Universities (Scotland) Act 1966, the Statement of Recommended Practice on Accounting for Higher Education Institutions and other relevant accounting standards. In addition, within the terms and conditions of the Financial Memorandum agreed between the Scottish Higher Education Funding Council and the Court of the University of St. Andrews, the University Court, through its designated office holder, is required to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the University and of the surplus or deficit and cash flows for that year.

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

- suitable accounting policies are selected and applied consistently;
- judgements and estimates are made that are reasonable and prudent;
- applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- financial statements are prepared on the going concern basis unless it is inappropriate to presume that the University will continue in operation. The Court is satisfied that it has adequate resources to continue in operation for the foreseeable future: for this reason the going concern basis continues to be adopted in the preparation of the financial statements.

The Court has responsibility to:

- ensure that funds from the Scottish Higher Education 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 prevent and detect fraud;
- secure the economical, efficient and effective management of the University's resources and expenditure.

The key elements of the University's system of internal financial control, which is designed to discharge the responsibilities set out above, include the following:

- clear definitions of the responsibilities of, and the authority delegated to, heads of academic schools and administrative departments;

RESPONSIBILITIES OF THE COURT OF THE UNIVERSITY OF ST ANDREWS

- a comprehensive planning process, supplemented by detailed annual income, expenditure, capital and cash flow budgets;
- regular reviews of financial performance, including updates of forecast outruns;
- clearly defined and formalised requirements for approval and control of expenditure, with investment decisions involving capital or revenue expenditure being subject to formal detailed appraisal and review according to approval levels set by the University Court, and promulgated in the Financial Regulations and Procedures;
- comprehensive Financial Regulations, detailing financial controls approved by the University Court on the recommendation of the Finance Committee;
- a professional Internal Audit team whose annual programme is approved by the Audit Committee and endorsed by the University Court and whose head provides the Court with a report on internal audit activity within the University and an opinion on the adequacy and effectiveness of the University's system of internal control, including internal financial control.

Any system of internal financial control can, however, only provide reasonable, but not absolute, assurance against material misstatement or loss.

CORPORATE GOVERNANCE

The university is committed to exhibiting best practice in all aspects of corporate governance. This summary describes the manner in which the university has applied the principles set out in Section 1 of the Combined Code on Corporate Governance issued by the London Stock Exchange in June 1998. This incorporates internal control guidance for directors on the Combined Code as amended by the British Universities Finance Directors Group. Its purpose is to help the reader of the financial statements understand how the principles have been applied.

In the opinion of the University Court, the university complies with all the provisions of the Combined Code, in so far as they apply to the higher education sector, and it has complied throughout the year ended 31 July 2003.

The University Court is the governing body of the University. Its authority derives from Acts of Parliament which, *inter alia*, vest in the Court the administration of all property and revenues of the University and give it the power to review the decisions of the Senate. The Court thus has overall responsibility for the governance of the University, including all aspects of strategic planning and management of all resources, whether financial, human or physical.

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.

In establishing an effective framework of internal controls the University Court has developed an ongoing process for identifying, evaluating and managing the University's significant risks. This process was formally conducted using the University Audit and Risk Management Committees. During the year, as part of the ongoing evaluation of its management structure the University Court decided to subsume the activities of the Risk Management Committee within that of the Audit Committee.

By merging the activities of these sub committees the University has moved to address a risk of control falling between the two committees and being considered by neither. In view of the need to continue to have a particular focus on risk management in its widest sense the University has formed a Risk Management Group, led by the Deputy Principal. This group contains representation from all University activities and is charged with leading the process of further embedding risk management rationale in all decision making processes of the University.

The first activity of this group was a complete review of the Risk Register. This review was completed in July 2003, with action plans agreed and individual officers and staff assigned to address these outstanding risks within agreed timescales. The process of management of risk, by its very nature will never be complete. The University however, has established an internal framework which will ensure a continuing focus on active risk management with overall progress being measured and monitored by Court via the Audit Committee.

The University Court met six times during 2002/2003, and has a number of committees with particular areas of responsibility. The decisions and recommendations of these committees are formally reported to Court. The committees, whose membership is disclosed on Pages 2 and 3, are:

- Academic Audit Committee
- Audit Committee
- Equal Opportunities Committee
- Investment & Collections Committee
- Information Policy Committee
- Governance & Nominations Committee
- Planning and Resources Committee
- Remuneration Committee

CORPORATE GOVERNANCE

Risk Management Committee (until April 2003)
Staff Committee
Student Services Committee

All of these Committees are formally constituted with terms of reference, outlined in an annual publication "Standing Committees of the University: Membership and Remit" (<http://www.st-andrews.ac.uk/services/registry/committe.htm>).

In respect of its strategic planning and development responsibilities, the University Court receives recommendations and advice from the Planning and Resources Committee, chaired by the Senior Governor. During the year ended 31 July 2003, the committee's membership included, ex-officio, the three non-executive Court members, who convened the Investment & Collections Committee, Staff Committee and Student Services Committee.

The Planning & Resources Committee reviews the annual budget and financial forecasts of the University, and the levels of residential and other fees charged to students; reviews regularly during the year actual income and expenditure as compared with budgeted levels; monitors the level and cost of the University's borrowings and the extent of other liabilities; and considers the content of the annual financial statements of the University (subject to appropriate advice from the Audit Committee),

The Investment & Collections Committee receives the annual report on the University's Art Collections from the Curator of the Museum Collections; conducts regular reviews of the general investment policy of the University and within the context of that policy monitors the performance of (i) the University's investment advisers, (ii) the investment portfolio(s) under their management and (iii) University investments not under the management of the investment advisers; and reviews the University's investment assets, advising Court in respect of their management, purchase and sale.

The Governance & Nominations Committee advises Court on any matter pertaining to the execution of its governance functions, including the appointment and role of Court's Senior Governor; identifies and recommends persons for membership of the University Court; makes recommendations to Court with regard to (a) the overall structure of University committees and (b) the remit and Court-nominated membership of such committees; and recommends to Court how it should be represented, as necessary, on external bodies and at particular meetings or events.

The Remuneration Committee receives, considers and approves the recommendations of the Principal in relation to the remuneration of all staff whose salaries are not based on a recognised salary scale and in relation to all increases in remuneration which do not represent standard progression with regard to a recognised salary scale; receives and considers information from the Principal on all severance arrangements and approves the recommendations of the Principal on specific arrangements which involve University expenditure in excess of £50,000; determines, through its Court lay members, the remuneration of the Principal; and takes a general overview of all of the above, or any related, matters in order to ensure the exercise of appropriate financial control and of reasonable employer behaviour.

The Audit Committee consists of lay members of Court supplemented by additional co-opted expert lay members to assist it in its role. The committee reviews the audit of the University's annual financial statements and comments thereon to the Planning & Resources Committee in advance of its consideration of their content; keeps under review (a) policies, procedures and regulations in respect of the University's assets, and (b) financial controls, accounting procedures, the application of accounting standards, and routine arrangements for the investigation of questions of financial irregularity or impropriety; considers all matters relating to the internal and external audit, and Value for Money review, of the affairs of the University and of those companies controlled by the University Court; receives reports from the internal and external auditors. Whilst senior executives attend meetings of the Audit Committee as necessary, they are not members of the Committee; and the Committee has the

CORPORATE GOVERNANCE

opportunity to meet with the Internal or External Auditors in the absence of University staff. The Convener of the Audit Committee is accountable to the University Court for conducting the annual performance appraisal of the Senior Governor.

The Risk Management Committee was abolished by the University in April 2003, absorbing its role within the Audit Committee. At this time the University formed a Risk Management Task Group, led by the Deputy Principal, which has responsibility for actively embedding risk management within all areas of University activity. When in place, the role of the Audit Committee was to audit, upon the basis of advice from the Health and Safety Committee, the annual reports from the University's Director of Environmental Health and Safety Services, the implementation of the Health and Safety Policy Statement of the University Court; to review, at least annually, upon the basis of advice from its Health and Safety Committee, the Health and Safety Policy Statement of the University Court in the light of the requirements and advice of the Safety Inspectorates and other appropriate external agencies; and to make recommendations as necessary in the light of (a) and (b) above. In relation to Insurance, the Committee reviews at least annually, the University's cover; recommends material changes to the nature of the University's insurance cover; and advises on the appointment of University Insurance brokers. Finally, it is also the committee's responsibility to review all other aspects of the University's approach to risk assessment and management, including the ethical and environmental implications of University activity and disaster recovery arrangements.

In keeping with the University's policy on the registration and declaration of interests, all persons routinely attending meetings of the University Court and Committees are required to take proper account of any conflict of interest which might arise from their University involvement on the one hand and their membership of, or connection with, other bodies outside the University on the other. The Clerk of the Court has established and maintains a formal Register of Interests. It is available for inspection in the Court Office by those obliged to supply information for inclusion in the Register, officers of the Scottish Higher Education Funding Council and the University's internal and external auditors. The Clerk may, after consultation with the Senior Governor, the Principal and the member(s) concerned, also make the Register, or a specific part of the Register, available to others.

As reported in last year's Reports and Financial Statements, the University has formally compared the practice of the University Court with the requirements of the Guide for Members of Governing Bodies of Scottish Higher Education Institutions and Good Practice Benchmarks (SHEFC Circular 05/99).

In previous years the Court has effected changes which have achieved compliance with the Good Practice Benchmarks, with stated exceptions regarding term of office and age requirements. This position has remained unchanged during the year.

INDEPENDENT AUDITORS' REPORT TO THE COURT OF THE UNIVERSITY OF ST ANDREWS

INDEPENDENT AUDITORS' REPORT TO THE COURT of the UNIVERSITY of St ANDREWS

We have audited the Financial Statements for the year ended 31 July 2003 which comprise the Consolidated Income and Expenditure Account, Consolidated and University Balance Sheets, Consolidated Cash Flow Statement, Statement of Consolidated Total Recognised Gains and Losses, and the related notes 1 to 29. These Financial Statements have been prepared on the basis of the accounting policies set out in the Statement of Principal Accounting Policies.

This report is made solely to the University Court of the University of St Andrews as a body, in accordance with its Financial Memorandum. Our audit work has been undertaken so that we might state to the University Court those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the University and the University Court as a body, for our audit work, for this report, or for the opinions we have formed.

Respective Responsibilities of the University Court and Auditors

As described in the Statement of Responsibilities of the University Court, the Court is responsible for the preparation of the financial statements in accordance with the University's Charter, the Statement of Recommended Practice: Accounting for Further and Higher Education Institutions and other applicable United Kingdom law and accounting standards.

Our responsibility is to audit the Financial Statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

We report to you our opinion as to whether the Financial Statements give a true and fair view and are properly prepared in accordance the Statement of Recommended Practice: Accounting for Further and Higher Education Institutions. We also report to you whether income from funding bodies, grants and income for specific purposes and from other restricted funds administered by the University have been applied for the purposes for which they were received and whether income has been applied in accordance with the Statutes and, where appropriate, with the Financial Memorandum with the Scottish Higher Education Funding Council.

We also report to you if, in our opinion, the Report of the University Court is not consistent with the financial statements, if the University has not kept proper accounting records or if we have not received all the information and explanations we require for our audit.

We read the other information contained in the Report of the University Court and the Corporate Governance statement and consider the implications for our report if we become aware of any apparent misstatements within them.

Basis of Audit Opinion

We conducted our audit in accordance with United Kingdom Auditing Standards issued by the Auditing Practices Board and the Code of Audit Practice issued by the Scottish Higher Education Funding Council. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the Court in the preparation of the Financial Statements, and of whether the accounting policies are appropriate to the Group's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the Financial Statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the Financial Statements.

**INDEPENDENT AUDITORS' REPORT TO THE COURT OF THE UNIVERSITY OF
ST ANDREWS**

Opinion

In our opinion:

- i) the Financial Statements give a true and fair view of the state of affairs of the University and of the Group as at 31 July 2003, and of the deficit of the Group for the year then ended and have been properly prepared in accordance with the Statement of Recommended Practice: Accounting for Further and Higher Education Institutions;
- ii) income from the Scottish Higher Education Funding Council, grants and income for specific purposes and from other restricted funds administered by the University have been applied for the purposes for which they were received; and
- iii) income has been applied in accordance with the Further and Higher Education (Scotland) Act 1992 governing the University and, where appropriate, with the Financial Memorandum dated 1 August 1996 (incorporating 1998 revisions) with the Scottish Higher Education Funding Council.

Ernst & Young LLP
Registered Auditor
Edinburgh
5 December 2003

STATEMENT OF PRINCIPAL ACCOUNTING POLICIES

1. **Accounting convention**

These financial statements have been prepared under the historical cost convention, as modified by the revaluation of Endowment Asset Investments, and in accordance with the Statement of Recommended Practice: Accounting in Further and Higher Education Institutions (“SORP”), together with applicable accounting standards and in accordance with the following accounting policies.

2. **Basis of consolidation**

The consolidated income and expenditure account and balance sheet include the financial statements of the University and all subsidiary undertakings as listed in the notes to the accounts for the financial year to 31 July 2003. The activities of the Students’ Association have not been consolidated as the University does not control these activities.

3. **Land and buildings**

Land is held freehold and is not depreciated as it is considered to have indefinite useful life. Freehold buildings are written off at the rate of 1% to 25% per annum on cost. Leasehold property is written off over the remaining life of the lease.

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

4. **Equipment**

Equipment costing less than £10,000 is written off in the year of acquisition. Capitalised equipment and furnishings are stated at cost and depreciated over their expected useful lives, as follows:

Telecommunications system:	7 years straight line
New Hall furnishings:	7 years straight line
Equipment & furniture:	4 years straight line

Where equipment is acquired with the aid of a specific grant it is capitalised and depreciated as above. The related grant is treated as a deferred capital grant and released to income over the expected useful life of the equipment.

5. **Recognition of income**

Income from Specific Endowments and Donations, Research Grants and Contracts, and Other Services Rendered is included in income to the extent of expenditure incurred during the year, together with any related contributions towards overhead costs.

6. **Pension costs**

The two principal pension schemes for the University’s staff are the Universities Superannuation Scheme (U.S.S.) and the University of St. Andrews Superannuation and Life Assurance Scheme (S.&L.A.S.). The schemes are defined benefit schemes that are externally funded and contracted out of the State Earnings-Related Pension Scheme. The funds are valued every three years by a professionally qualified independent actuary using the projected unit method, the rates of contribution payable being determined by the trustees on the advice of the actuaries. In the intervening years the actuaries review the progress of the schemes. Pension costs are assessed in accordance with the advice of the actuaries, based on the latest actuarial valuation of the schemes, and are accounted for on the basis of charging the cost of

STATEMENT OF PRINCIPAL ACCOUNTING POLICIES

providing pensions over the period during which the University benefits from the employees' services.

7. **Foreign currencies**

Transactions denominated in foreign currencies are recorded at the rate of exchange ruling at the date of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated into sterling at year-end rates. The resulting exchange differences are dealt with in the determination of income and expenditure for the financial year.

8. **Investments**

Listed investments are included at market value and heritable property investments at open market value. Investments, which are not listed, are stated at cost less any provision for impairment of their value. Temporary deposits are included at the lower of cost or net realisable value.

9. **Stocks**

Stocks for resale and other stocks of material value are included at the lower of cost or net realisable value.

10. **University Collections**

The University holds a number of valuable collections that are not included in the balance sheet. Advice was sought from the University Advisory Committee on Collections and Exhibitions and on 22 September 1993 approximate valuations were obtained for the main holdings of the University. These valuations are disclosed in Note 29.

11. **Provisions**

Provisions are recognised when the institution has a present legal or constructive obligation as a result of a past event, it is probable that a transfer of economic benefit will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

12. **Taxation status**

The University of St. Andrews is a tax-exempt charity. This exemption is not extended to the trading activities of the University. Except for its trading activities and certain consultancy and research activities, the University cannot recover the Value Added Tax suffered on its expenditure and this cost is included under the various related expenditure heads.

CONSOLIDATED INCOME AND EXPENDITURE ACCOUNT
For the year ended 31 July 2003

	Note	2002/03 £000	2001/02 £000
INCOME			
Funding council grants	1	28,741	25,949
Tuition fees and education contracts	2	16,318	14,855
Research grants and contracts	3	18,768	17,287
Other operating income	4	13,218	13,819
Endowment income and interest receivable	5	<u>1,353</u>	<u>1,314</u>
Total income		<u>78,398</u>	<u>73,224</u>
EXPENDITURE			
Staff costs	6 & 7	48,296	44,375
Depreciation	7 & 9	4,249	3,862
Other operating expenses	7	24,390	22,176
Interest payable	7 & 8	<u>1,182</u>	<u>1,504</u>
Total expenditure		<u>78,117</u>	<u>71,917</u>
 Surplus before property disposals		 281	 1,307
 Gain/ (Loss) on property disposal	 9	 <u>(1,149)</u>	 <u>-</u>
(Deficit)/ Surplus for the period after Property Transactions	 21	 <u><u>(868)</u></u>	 <u><u>1,307</u></u>

All activities included in the above income and expenditure account are continuing.

BALANCE SHEETS
As at 31 July 2003

	Note	Consolidated		University	
		2003 £000	2002 £000	2003 £000	2002 £000
FIXED ASSETS					
Tangible assets	9	78,296	69,409	78,296	69,409
Investments	10	235	245	235	245
		<u>78,531</u>	<u>69,654</u>	<u>78,531</u>	<u>69,654</u>
ENDOWMENT ASSET INVESTMENTS	11	<u>34,531</u>	<u>29,190</u>	<u>34,531</u>	<u>29,190</u>
CURRENT ASSETS					
Stocks and stores in hand		440	474	440	474
Debtors	12	5,884	5,905	6,366	6,397
Cash at bank and in hand		283	393	283	381
		<u>6,607</u>	<u>6,772</u>	<u>7,089</u>	<u>7,252</u>
CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR	13	<u>(20,734)</u>	<u>(19,857)</u>	<u>(22,714)</u>	<u>(21,835)</u>
NET CURRENT LIABILITIES		<u>(14,127)</u>	<u>(13,085)</u>	<u>(15,625)</u>	<u>(14,583)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		98,935	85,759	97,437	84,261
CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR	14	(27,246)	(21,350)	(27,246)	(21,350)
PROVISIONS FOR LIABILITIES AND CHARGES	15	<u>(131)</u>	<u>(164)</u>	<u>(131)</u>	<u>(164)</u>
TOTAL NET ASSETS		<u>71,558</u>	<u>64,245</u>	<u>70,060</u>	<u>62,747</u>
Represented by:					
DEFERRED CAPITAL GRANTS	16	<u>20,532</u>	<u>17,692</u>	<u>20,532</u>	<u>17,692</u>
ENDOWMENT FUNDS					
Specific endowments	17	25,194	23,353	25,194	23,353
General endowments	17	9,337	5,837	9,337	5,837
		<u>34,531</u>	<u>29,190</u>	<u>34,531</u>	<u>29,190</u>
RESERVES					
Income and expenditure account	18	<u>16,495</u>	<u>17,363</u>	<u>14,997</u>	<u>15,865</u>
TOTAL FUNDS		<u>71,558</u>	<u>64,245</u>	<u>70,060</u>	<u>62,747</u>

Approved by the University Court of the University of St. Andrews on 5 December 2003, and signed on its behalf by:

Dr Brian A. Lang, Principal and Vice-Chancellor

William Berry, Senior Governor

Derek A. Watson, Quaestor and Factor

CONSOLIDATED CASH FLOW STATEMENT
For the year ended 31 July 2003

	Note	2002/03 £000	2001/02 £000
Net cash inflow from operating activities	21	3,089	5,784
Returns on investment and servicing of finance	22	(307)	(703)
Capital expenditure and financial investment	23	<u>(8,662)</u>	<u>(3,442)</u>
Cash (outflow)/inflow before use of liquid resources and financing		(5,882)	1639
Financing	24	<u>5,679</u>	<u>-</u>
Increase/(Decrease) in cash	25	<u><u>(203)</u></u>	<u><u>1,639</u></u>
Reconciliation of net cash-flow to movement in net debt			
Increase/(Decrease) in cash in the period		(203)	1,639
Cash (outflow) from decrease from liquid resources			-
Cash outflow from financing		<u>(5,679)</u>	<u>-</u>
Change in net debt resulting from cash flows		<u>(5,882)</u>	<u>1,639</u>
Net debt at 1 August		<u>(24,097)</u>	<u>(25,736)</u>
Net debt at 31 July		<u><u>(29,979)</u></u>	<u><u>(24,097)</u></u>

STATEMENT OF CONSOLIDATED TOTAL RECOGNISED GAINS AND LOSSES
For the year ended 31 July 2003

	Note	2002/03 £000	2001/02 £000
(Deficit)/Surplus after depreciation of assets, taxation and disposals	18	(868)	1,307
Appreciation/(Depreciation) of endowment asset investments	17	4,689	(6,453)
Endowments income movement for year	17	(266)	(489)
New endowments	17	<u>918</u>	<u>426</u>
TOTAL RECOGNISED GAINS/(LOSSES) RELATING TO THE YEAR		<u><u>4,473</u></u>	<u><u>(5,209)</u></u>
Reconciliation			
Opening reserves and endowments		46,552	51,761
Total recognised gains/(losses) for the year		<u>4,473</u>	<u>(5,209)</u>
Closing reserves and endowments		<u><u>51,026</u></u>	<u><u>46,552</u></u>

NOTES TO THE ACCOUNTS
For the year ended 31 July 2003

1 FUNDING COUNCIL GRANTS	2002/03 £000	2001/02 £000
SHEFC recurrent grant	27,778	24,722
SHEFC specific grants	643	986
Total JISC grants	52	59
Deferred capital grants released in year		
Buildings (note 16)	250	154
Equipment (note 16)	18	28
	<hr/>	<hr/>
Total funding council grants	28,741	25,949

2 TUITION FEES AND EDUCATION CONTRACTS		
Full-time students	6,480	6,521
Full-time students charged overseas fees	7,766	6,502
Part-time fees	458	384
Research training support grants	117	169
Short course fees	1,459	1,239
Other fees	38	40
	<hr/>	<hr/>
Total tuition fees and education contracts	16,318	14,855

3 RESEARCH GRANTS AND CONTRACTS	Direct costs recovered		Overheads	
	2002/03 £000	2001/02 £000	2002/03 £000	2001/02 £000
Research Councils	7,917	7,855	1,843	1,716
UK government bodies, local and health authorities	3,670	5,117	548	534
UK based charities	2,697	2,287	21	21
UK Industry, commerce and public corporations	507	591	160	211
EU Government bodies	827	690	107	129
EU other	20	13	4	3
Other overseas	584	537	227	190
Other Sources	78	91	6	17
	<hr/>	<hr/>	<hr/>	<hr/>
	16,300	17,181	2,916	2,821

	2002/03 £000	2001/02 £000
Total of direct cost and overhead recovered	19,216	20,002
Income deferred to match capitalised equipment and buildings (note 16)	(2,356)	(4,281)
Release of deferred capital grant for research grant equipment (note 16)	1,908	1,566
	<hr/>	<hr/>
Total research grants and contracts	18,768	17,287

NOTES TO THE ACCOUNTS
For the year ended 31 July 2003

4 OTHER OPERATING INCOME	2002/03	2001/02
	£000	£000
Residences, catering and conferences	8,713	9,126
Other services rendered	47	41
Released from deferred capital grants (note 16)	70	82
Other income	4,388	4,570
	<u>13,218</u>	<u>13,819</u>
Total other operating income	<u>13,218</u>	<u>13,819</u>

5 ENDOWMENT INCOME AND INTEREST RECEIVABLE		
Investment income from general endowment asset investments	140	314
Transferred from specific endowments (note 17)	1,200	1,000
Other Interest Receivable	13	-
	<u>1,353</u>	<u>1,314</u>
Total endowment income and interest receivable	<u>1,353</u>	<u>1,314</u>

6 STAFF

Staff Costs :

Wages and salaries	40,529	37,546
Social security costs	2,944	2,652
Other pension costs (note 26)	4,823	4,177
	<u>48,296</u>	<u>44,375</u>
Total staff costs (note 7)	<u>48,296</u>	<u>44,375</u>

Emoluments of Principal :

<u>164</u>	<u>156</u>
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The emoluments of the Principal exclude pension contributions to U.S.S, which are paid at the same rate as for other academic staff and amounted to £13,692 (2001/02: £13,440)

Average staff numbers by major category:	2002/03	2001/02
	Number	Number
Academic and other related	453	449
Administrative and clerical	502	461
Technical	137	134
Manual	496	465
Contract research	282	208
	<u>1,870</u>	<u>1,717</u>
Total	<u>1,870</u>	<u>1,717</u>

The comparative figure for Academic and other related staff for 2001/ 2002 has been restated from 561 to reflect a more appropriate calculation of FTE's for part time staff.

Remuneration of higher paid staff (excluding employer's Pension contributions)

	Number	Number
£50,001 - £60,000	59	47
£60,001 - £70,000	24	17
£70,001 - £80,000	3	2
£80,001 - £90,000	2	2
£90,001 - £100,000	2	-
£130,001 - £140,000	1	1
£150,001 - £160,000	1	1
	<u>92</u>	<u>70</u>
Total	<u>92</u>	<u>70</u>

NOTES TO THE ACCOUNTS
For the year ended 31 July 2003

7 ANALYSIS OF EXPENDITURE BY ACTIVITY

	Staff costs £000	Dep'n £000	Other operating expenses £000	Interest payable £000	Total £000
2002/03					
Academic departments	24,977	5	6,099	-	31,081
Academic services	2,568	-	1,831	-	4,399
Administration	4,358	1,588	3,215	665	9,826
Premises	2,481	-	2,645	-	5,126
Research grants and contracts	9,412	1,908	4,547	-	15,867
Residences, catering and conferences	3,197	748	3,813	517	8,275
Other expenses	1,303	-	2,240	-	3,543
	<u>48,296</u>	<u>4,249</u>	<u>24,390</u>	<u>1,182</u>	<u>78,117</u>
2001/02	£000	£000	£000	£000	£000
Academic departments	23,027	5	4,580	-	27,612
Academic services	2,621	-	1,612	-	4,233
Administration	3,934	1,623	2,737	738	9,032
Premises	2,277	-	2,517	-	4,794
Research grants and contracts	8,408	1,566	5,046	-	15,020
Residences, catering and conferences	3,020	668	3,352	766	7,806
Other expenses	1,088	-	2,332	-	3,420
	<u>44,375</u>	<u>3,862</u>	<u>22,176</u>	<u>1,504</u>	<u>71,917</u>

Surplus/(Deficit) is stated after charging the following which are included in Other Operating Expenses:

	2002/03 £000	2001/02 £000
Auditor's Remuneration -		
External audit	41	36
External audit - other services	4	-
Internal audit	52	43
Hire of plant and equipment - operating leases	107	42

8 INTEREST PAYABLE

On bank loans, overdrafts and other loans:

Repayable within 5 years, not by instalments	149	194
Repayable wholly or partly in more than 5 years	1,033	1,310
Total interest payable (note 7)	<u>1,182</u>	<u>1,504</u>

NOTES TO THE ACCOUNTS
For the year ended 31 July 2003

9 TANGIBLE ASSETS

Consolidated and University	Land & buildings freehold £000	Land & buildings leasehold £000	Equipment & furniture £000	Total £000
Historic Cost				
At 1 August 2002	69,935	74	23,229	93,238
Additions at cost	11,380	-	3,438	14,818
Disposals	(2,018)	-	-	(2,018)
At 31 July 2003	<u>79,297</u>	<u>74</u>	<u>26,667</u>	<u>106,038</u>
Depreciation				
At 1 August 2002	(7,550)	(41)	(16,238)	(23,829)
Charge for year	(1,154)	(4)	(3,091)	(4,249)
On disposals	336	-	-	336
At 31 July 2003	<u>(8,368)</u>	<u>(45)</u>	<u>(19,329)</u>	<u>(27,742)</u>
Net book value				
At 31 July 2003	<u>70,929</u>	<u>29</u>	<u>7,338</u>	<u>78,296</u>
At 1 August 2002	<u>62,385</u>	<u>33</u>	<u>6,991</u>	<u>69,409</u>

Of the total fixed assets at 31 July 2003 £8.520million related to assets in the course of construction, of which £8.292million related to land & buildings and £0.228million to equipment . These assets are not yet in use and are therefore not being depreciated.

During the year the University incurred a loss on disposal of £1.149million. This loss consisted of the write off of the value of the old David Russell Hall complex which had a net book value of £1.682million (Historic Cost £2.014million) and demolition costs of £0.028million. This loss was offset by a release from Deferred Capital Grants (note 16) of £0.378million. Additionally the University sold a house for £0.183million, which was fully depreciated in the accounts (Historic Cost £0.004million).

Financed by Capital Grant	16,206	-	5,016	21,222
Other	54,723	29	2,322	57,074
Net Book Value at 31 July 2003	<u>70,929</u>	<u>29</u>	<u>7,338</u>	<u>78,296</u>

10 INVESTMENTS

Consolidated and University

Unlisted
investments
£000

Cost

Balance as at 1 August 2002	245
Disposal during in year	(10)
Balance as at 31 July 2003	<u>235</u>

Subsidiary companies:

At 31 July 2003, the University held a 100% interest in the following companies, and its shareholdings comprised:

<i>Company</i>	<i>Share capital</i>	<i>Country of incorporation</i>	<i>Activity</i>
St. Andrews University Holdings Ltd.	Limited by guarantee	Scotland	Dormant
St. Andrews University Services Ltd.	£2	Scotland	Vacation letting
St. Andrews Strategic Management Ltd.	£2	Scotland	Dormant
University of St. Andrews Property Services Ltd.	£2	Scotland	Property development

St Andrews University Holdings Ltd. and St. Andrews Strategic Management Ltd. remained dormant throughout the year.

NOTES TO THE ACCOUNTS
For the year ended 31 July 2003

11 ENDOWMENT ASSET INVESTMENTS	2003	2002
Consolidated and University	£000	£000
Balance as at 1 August	29,190	35,705
Additions	11,581	17,008
Disposals	(10,654)	(17,033)
Appreciation/ (Depreciation)	4,689	(6,453)
Cash movement	(275)	(37)
	<u>34,531</u>	<u>29,190</u>
Represented by:		
Fixed interest stocks	2,318	2,077
Equities	22,398	21,603
Land and property	8,336	4,267
Debtors	884	374
Bank, building society and other deposits	595	869
	<u>34,531</u>	<u>29,190</u>
Total endowment asset investments	<u>34,531</u>	<u>29,190</u>
Fixed interest and equities at cost	<u>25,227</u>	<u>24,879</u>
Land and property at cost	<u>278</u>	<u>589</u>

12 DEBTORS	Consolidated		University	
	2003	2002	2003	2002
	£000	£000	£000	£000
Amounts falling due within one year:				
Debtors	1,797	2,367	1,797	2,367
Prepayments and accrued income	4,087	3,538	4,087	3,538
Amounts due from group undertakings	-	-	482	492
	<u>5,884</u>	<u>5,905</u>	<u>6,366</u>	<u>6,397</u>

13 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR	Consolidated		University	
	2003	2002	2003	2002
	£000	£000	£000	£000
Bank overdraft	3,828	4,004	3,886	4,051
Income received in advance	9,254	8,509	9,254	8,509
Amounts due to group undertakings	-	-	1,883	1,874
Creditors and accruals	6,572	6,389	6,611	6,447
Social security and other taxation payable	1,080	955	1,080	954
	<u>20,734</u>	<u>19,857</u>	<u>22,714</u>	<u>21,835</u>

NOTES TO THE ACCOUNTS
For the year ended 31 July 2003

14 CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR	2003	2002
Consolidated and University	£000	£000
Secured Bank Loan	-	21,350
Unsecured Bank Loan	27,029	-
Other long-term creditors	217	-
	<u>27,246</u>	<u>21,350</u>
 Repayable as follows:		
In more than one year:		
Between one and two years	216	244
Between two and five years	1,299	1,094
In five years or more	25,731	20,012
Total repayable	<u>27,246</u>	<u>21,350</u>

15 PROVISIONS FOR LIABILITIES AND CHARGES	FSSU unfunded
Consolidated and University	Pension benefits
	£000
As at 1 August 2002	164
Increase during year	-
Utilised in year	<u>(33)</u>
As at 31 July 2003	<u>131</u>

Persons retiring under the F.S.S.U. scheme, or who have already retired under the scheme, are entitled as of right to additional benefits that may arise under the F.S.S.U. Supplementation Scheme. These additional benefits are unfunded and are paid, as and when they arise, direct to retired members by the University Court, and are charged against a provision established when members retire to meet this liability (see note 26).

NOTES TO THE ACCOUNTS
For the year ended 31 July 2003

16 DEFERRED CAPITAL GRANTS

Consolidated and University	SHEFC £000	Research grants £000	Other grants & benefactions £000	Total £000
As at 1 August 2002				
Buildings	10,567	-	2,736	13,303
Equipment	37	4,294	58	4,389
Total	10,604	4,294	2,794	17,692
Received				
Buildings	1,004	105	2,104	3,213
Equipment	-	2,251	--	2,251
Total	1,004	2,356	2,104	5,464
Released to Income and Expenditure Account				
Buildings (notes 1 and 4)	(250)	-	(59)	(309)
Equipment (notes 1 and 3)	(18)	(1,908)	(11)	(1,937)
Total	(268)	(1,908)	(70)	(2,246)
Release to Income and Expenditure Account on Disposal of assets (note 9)	(378)	-	-	(378)
As at 31 July 2003				
Buildings	10,943	105	4,781	15,829
Equipment	19	4,637	47	4,703
Total	10,962	4,742	4,828	20,532

17 ENDOWMENT FUNDS

Consolidated and University	Specific Endowments £000	General Endowments £000	Total £000
As at 1 August 2002	23,353	5,837	29,190
Additions/ (Disposals)	918		918
Gains/ (Losses) on endowment asset investments	1,155	3,534	4,689
Net Income for year	968	106	1,074
Transferred to income and expenditure (note 5)	(1,200)	(140)	(1,340)
As at 31 July 2003	25,194	9,337	34,531
	Specific Endowments £000	General Endowments £000	Total £000
Capital			
Chairs and lectureships	7,099	-	7,099
Other specific purposes	6,468	-	6,468
Scholarships and bursaries	9,225	-	9,225
Prize funds	617	-	617
Other funds	-	9,337	9,337
Revenue			
Other specific purposes	740	-	740
Scholarships and bursaries	991	-	991
Prize funds	54	-	54
	25,194	9,337	34,531

NOTES TO THE ACCOUNTS
For the year ended 31 July 2003

18 INCOME AND EXPENDITURE ACCOUNT

	Consolidated		University	
	2002/03 £000	2001/02 £000	2002/03 £000	2001/02 £000
At 1 August	17,363	16,056	15,865	14,558
(Deficit)/surplus for the year	<u>(868)</u>	<u>1,307</u>	<u>(868)</u>	<u>1,307</u>
As at 31 July	<u>16,495</u>	<u>17,363</u>	<u>14,997</u>	<u>15,865</u>

19 CAPITAL COMMITMENTS
Consolidated and University

	2003 £000	2002 £000
In respect of contracts entered into for building work at 31 July	<u>18,192</u>	<u>7,399</u>

20 CONTINGENT LIABILITIES
Consolidated and University

	2003 £000	2002 £000
Guarantee to Halifax plc in respect of staff housing advances	282	285
HM Customs and Excise bond in respect of laboratory spirits	<u>1</u>	<u>1</u>
As at 31 July	<u>283</u>	<u>286</u>

**21 RECONCILIATION OF CONSOLIDATED OPERATING (DEFICIT)/
SURPLUS TO NET CASH FLOW FROM OPERATING ACTIVITIES**

(Deficit)/Surplus before tax	(868)	1,307
Depreciation (note 9)	4,249	3,862
Deferred capital grants released to income (note 16)	(2,246)	(1,830)
Investment income	(1,353)	(1,314)
Loss on disposal of tangible fixed assets	1,149	-
Loss on disposal of investment	4	-
Interest payable (note 8)	1,182	1,504
(Increase)/decrease in stocks	34	(3)
(Increase) / decrease in debtors	19	(216)
Increase / (decrease) in creditors	952	2458
Increase/(decrease) in provisions	<u>(33)</u>	<u>16</u>
Net cash inflow from operating activities	<u>3,089</u>	<u>5,784</u>

NOTES TO THE ACCOUNTS
For the year ended 31 July 2003

22 RETURNS ON INVESTMENT AND SERVICING OF FINANCE	2003	2002		
	£000	£000		
Income from endowments	1,065	821		
Interest paid	<u>(1,372)</u>	<u>(1,524)</u>		
	<u>(307)</u>	<u>(703)</u>		
23 CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT				
Tangible assets acquired (note 9)	(14,818)	(7,765)		
Fixed asset investments acquired	-	(200)		
Endowment asset investments acquired	<u>(11,035)</u>	<u>(17,184)</u>		
Total fixed and endowment assets acquired	(25,853)	(25,149)		
Receipts from sales of tangible assets	183	-		
Receipts from sales of endowment asset investments	10,624	17,000		
Deferred capital grants received (note 16)	5,466	4,281		
Endowments received	<u>918</u>	<u>426</u>		
	<u>(8,662)</u>	<u>(3,442)</u>		
24 FINANCING				
New loans	27,029	-		
Repayment of long-term loan	<u>(21,350)</u>	<u>-</u>		
	<u>5,679</u>	<u>-</u>		
25 ANALYSIS OF CHANGES IN NET DEBT				
	At 1	Cash	Other	At 31
	August 2002	Flows	non-cash	July 2003
	£000	£000	Changes	£000
			£000	
Cash				
Cash at bank and in hand	393	(110)	-	283
Endowment cash	864	(269)	-	595
Bank overdraft	<u>(4,004)</u>	<u>176</u>	<u>-</u>	<u>(3,828)</u>
	<u>(2,747)</u>	<u>(203)</u>	<u>-</u>	<u>(2,950)</u>
Debt due after one year				
Secured Loan	(21,350)	21,350	-	-
Unsecured Loan	<u>-</u>	<u>(27,029)</u>	<u>-</u>	<u>(27,029)</u>
TOTAL	<u>(24,097)</u>	<u>(5,882)</u>	<u>-</u>	<u>(29,979)</u>

NOTES TO THE ACCOUNTS
For the year ended 31 July 2003

26 PENSION ARRANGEMENTS

There are two main pension schemes for University staff as noted below. The University continued to account for these schemes in accordance with SSAP 24. The disclosures given in (a) are those required by that standard. Additional disclosures required by FRS 17 (Accounting for) Retirement Benefits are dealt with in (b) hereunder.

(a) SSAP 24

The Universities Superannuation Scheme (U.S.S.) is the main scheme covering university teachers and employees of comparable status to a university teacher. The scheme is a defined benefit scheme that is externally funded and contracted out of the State Earnings-Related Pension Scheme. The assets of the scheme are held in a separate trustee-administered fund. The actuarial valuation method employed was the projected unit method.

The actuary to the Universities Superannuation Scheme has confirmed that it is appropriate to take the pensions cost in the institution's accounts to be equal to the actual contribution paid during the year. In particular, the contribution rate recommended following the 1999 valuation has regard to the surplus disclosed, the benefit improvements introduced subsequent to the valuation and the need to spread the surplus in a prudent manner over the future working lifetime of current scheme members.

St. Andrews University Superannuation & Life Assurance Scheme (S.&L.A.S.) provides benefits related to final pensionable salary for other members of staff of the University. The actuarial valuation method employed was the projected unit method.

The assumptions and other data which have the most significant effect on the result of the valuation and the contribution levels are:

	U.S.S.	S&LAS*
	31 Mar 2002	31 Jul 2001
Date of latest published actuarial valuation		
Investment returns per annum – existing investments	5.0%	6.0%
Investment returns per annum – future investments	6.0%	6.6%
Salary scale increases per annum	3.7%	4.0%
Pension increases per annum	2.7%	2.25%
Market value of assets at date of last published valuation	£19,956M	£28.8M
Proportion of members' accrued benefits covered by actuarial value of the assets	101%	94.0%

The rates of contribution are as follows:

	U.S.S.	S&LAS
From Court	14.00%	15.6%*
From members	6.35%	6.0%*

* The Pensions Act 1995 and subsequent regulations established a minimum funding requirement (MFR) against which the finances of the Scheme must be tested. Despite conducting an MFR valuation in 2001 and increasing its contributions to the S&LAS during 2002, the University has instigated a further MFR valuation of the fund at 31 July 2003. This valuation has not yet been finalised or published, it is therefore not disclosed in these statements. However, initial indications from this valuation would indicate that the proportion of members' accrued benefits covered by actuarial value of the assets has fallen from 94% to 86%, and that to support the current level of defined benefits, the total ongoing contribution to the fund will have to increase from the current 21.6% to 28% from February 2004.

NOTES TO THE ACCOUNTS
For the year ended 31 July 2003

26 PENSION ARRANGEMENTS (continued)

The total pension costs to the University and its subsidiaries was:	2002/03	2001/02
	£000	£000
Contributions to U.S.S.	3,590	3,299
Contributions to S.&L.A.S.	1,233	878
Total pension costs (note 6)	<u>4,823</u>	<u>4,177</u>

(b) FRS 17

The Universities Superannuation Scheme (U.S.S.) is available to staff of more than one employer and it is not possible to identify each institution's share of the underlying assets and liabilities of the scheme. In these circumstances, FRS 17 provides for contributions to the scheme to be accounted for as if it were a defined contribution scheme. As such, the cost recognised within the University's Income and Expenditure account will be equal to the contribution payable to the scheme for the year.

St. Andrews University Superannuation & Life Assurance Scheme (S.&L.A.S.)

The University is required to disclose the present value of the scheme assets and liabilities. A full actuarial valuation of the scheme was carried out at 31 July 2003 by a qualified independent actuary. The major assumptions used by the actuary, which was performed on the Projected Unit method, are:

	2003	2002
Discount Rate	5.50%	5.75%
Rate of increase in pensions in payment	2.25%	2.5%
Rate of increase in salaries	3.75%	4.0%
Inflation assumption	2.25%	2.5%

The fair value of the assets of the scheme and the expected rates of return are:

	2003		2002	
	Expected Rates of Return	£000	Expected Rates of Return	£000
Equities	8.00%	21,200	8.5%	19,200
Bonds	4.75%	4,500	5.0%	4,500
Others	4.75%	700	5.0%	800
		<u>26,400</u>		<u>24,500</u>

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

	2003	2002
	£000	£000
As at 31 July		
Total market value of scheme assets	26,400	24,500
Present Value of scheme liabilities	<u>(36,400)</u>	<u>(33,900)</u>
Deficit in scheme	<u>(10,000)</u>	<u>(9,400)</u>

NOTES TO THE ACCOUNTS
For the year ended 31 July 2003

26 PENSION ARRANGEMENTS (continued)

Under the FRS17 transitional arrangement that apply for the year ending 31 July 2003, the above amounts are not recognised in the financial statements. If they had been, the University's net assets and general reserve at 31 July would be as follows:

	2003	2002
	£000	£000
Net assets:		
Net assets excluding pension liability	71,558	64,245
Pension liability	<u>(10,000)</u>	<u>(9,400)</u>
Net assets including pension liability	<u>61,558</u>	<u>54,845</u>
Reserves:		
Income and expenditure reserve excluding pension liability	16,117	17,363
Pension liability	<u>(10,000)</u>	<u>(9,400)</u>
Income and expenditure reserve including pension liability	<u>6,117</u>	<u>7,963</u>

Additionally, if the pension costs had been recognised in accordance with FRS 17, the following components of the pensions charge would have been recognised in the income and expenditure account and statement of recognised gains and losses for the year ended 31 July 2003:

		£000
Analysis of amounts charged to income and expenditure account:		
Current service cost:		<u>1,284</u>
Financing:		
Expected return on pension scheme assets	1,920	
Interest on expected scheme liabilities	<u>(1,918)</u>	
		<u>(2)</u>
		1,282

		£000
Analysis of amounts recognised in statement of total recognised gains and losses:		
Actual return less expected return on pension scheme assets		(903)
Experienced gains and losses arising on scheme liabilities		609
Changes in assumptions underlying the present value of scheme liabilities		<u>(300)</u>
Total actuarial loss recognised		<u>(594)</u>

The total movement in the University's share of the scheme's deficit during the year is made up as follows:

	£000	£000
Deficit on scheme 1 August 2002		(9,400)
Movement in year:		
Current service cost	(1,284)	
Contributions	1,276	
Past service costs	-	
Other finance income	2	
Actuarial loss	<u>(594)</u>	
		<u>(600)</u>
Deficit on scheme at 31 July 2002		<u>(10,000)</u>

The University has contributed to the scheme at the following rates of pensionable salary :

1 August 2002 to 1 July 2003	15.6%
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NOTES TO THE ACCOUNTS
For the year ended 31 July 2003

27 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 the University Court may have an interest. All transactions involving organisations in which a member of the University Court may have an interest are conducted at arm's length and in accordance with the University's financial regulations and normal procurement procedures.

In addition, the University Court considers the University of St. Andrews Students' Association to be a related party due to the level of transactions between the two organisations. During 2002/03, the University paid a grant to the Students' Association of £158,500 (2001/02: £154,000). In addition, the Students' Association through its Travel Service, provided travel agency services to the University amounting to £552,000 (2001/02 £460,000). The amount owing to the Students' Association at 31 July 2003 was £73,000 (2002: £53,000) and the amount owing from the Students' Association was £127,000 (2002: £58,000).

28 STUDENT SUPPORT FUNDS

From the 1 August 2002, the Access fund was superseded by two new funds, namely the Hardship Fund and the Mature Students' Bursary Fund. Like the Access Fund, Hardship and Mature Students' Bursary Funds are available solely for students: the University acts only as paying agent. The grants and related disbursements are therefore excluded from the Income and Expenditure Account.

	2002/03		2001/02	
	£000	£000	£000	£000
	Hard- ship fund	MSBF	Hard- ship fund	MSBF
Balance at 1 August	11	2	91	-
Scottish Higher Education Funding Council Grants	163	33	195	21
Interest added	7	1	8	1
	<hr/>	<hr/>	<hr/>	<hr/>
Total available	181	36	294	22
Disbursed to students	(183)	(33)	(220)	(10)
				12
Unspent funds	(2)	3	74	
Amount refundable to SAAS	-	-	(63)	(10)
	<hr/>	<hr/>	<hr/>	<hr/>
Balance at 31 July	(2)	3	11	2

29 UNIVERSITY COLLECTIONS

The University Court holds a number of valuable collections that are not included in the balance sheet. The main collections which have been identified and their indicative values are as follows:

	£000
Art and Silver	4,236
Historical instruments	2,143
Muniments (historical photographs etc.)	210
Historical furniture and furnishings	330
Bell Pettigrew collection	651
Other departmental collections	165
Books including rare volumes and manuscripts	67,550
	<hr/>
	75,285