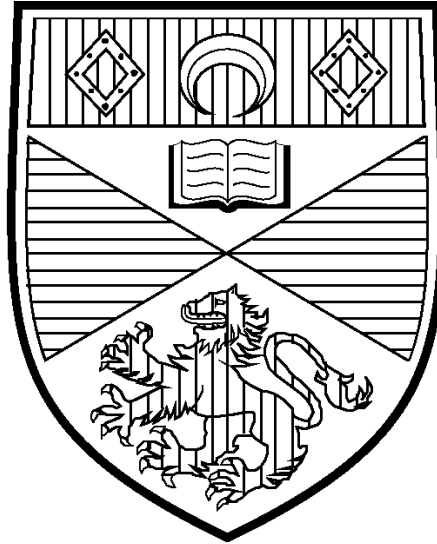


*Reports and Financial Statements
of the University Court
for the year to 31 July 2014*



University
of
St Andrews

The University of St Andrews is a charity registered in Scotland: No. SC013532

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MEMBERSHIP OF COURT AND COMMITTEES

The Rector, President
Mr A. Moffat

Senior Governor, Vice-President
Sir E. Brown

The Principal
Professor L. Richardson

Deputy Principal
Professor C. Hawkesworth (until 30 September 2014)
Professor G. Taylor (from 1 October 2014)

The Chancellor's Assessor
Dr D. Erdal (until 31 July 2014)
Sir E. Brown (from 1 August 2014)

The Rector's Assessor
Mr P. Mathewson

Fife Council, Provost of Fife's Assessor
Cllr B. Poole

Assessors of the General Council
Sir E. Brown (until 31 July 2014)
Mr K. Cochran (from 1 August 2014)
Mr N. Christie

Assessors of the Senatus Academicus
Dr N. Adamson (until 31 July 2014)
Dr B. Bildhauer (from 26 September 2014)
Professor F. Andrews
Dr C. Hooley
Professor J. Naismith

Non-Teaching Staff Member
Mr D. Stutchfield

Student Representatives
Ms C. Hill, *President of the Students' Association* (until 30 June 2014)
Mr P. Mathewson, *President of the Students' Association* (from 1 July 2014)
Mr E. Woodhouse, *Director of Representation* (until 30 June 2014)
Mr O. Hajda, *Director of Representation* (from 1 July 2014)

Non-Executive Members
Dr N.M. Bryson (until 31 July 2014)
Professor Sir D. Wallace (from 1 August 2014)
Sir J. Elvidge
Mr M. Jones
Rev Dr M. MacLean (until 31 July 2014)
Professor S. Monro (from 1 August 2014)
Mr N. Morecroft
Dr M. Popple
Dame A. Pringle

Secretary of the Court
Professor N. Beech (until 30 September 2014)

MEMBERSHIP OF COURT AND COMMITTEES

Members

Status

AUDIT & RISK COMMITTEE

Dr M. Popple (Convener)	Non-executive member
Rev Dr M. MacLean (until 31 July 2014)	Non-executive member
Professor S. Monro (from 1 August 2014)	Non-executive member
Mr N. Christie	Member of Court
Mr N. Morecroft (from 7 November 2013)	Non-executive member
Mr J. Lindsay	Court nominee
Mr W.J. Sutherland (until 31 July 2014)	Court nominee
Ms A. Faulds (from 1 August 2014)	Court nominee

Secretary: Executive Officer to Court

GOVERNANCE & NOMINATIONS COMMITTEE

Sir B. Ivory (Convener)	External convener
Senior Governor	<i>ex officio</i>
The Principal	<i>ex officio</i>
President of the Students' Association	<i>ex officio</i>
Mr N. Morecroft	Non-executive member
Rev Dr M. MacLean (from 7 November 2013 until 31 July 2014)	Non-executive member
Mr K. Dalton (from 1 August 2014)	Non-executive member
Dr D. Erdal (from 7 November 2013 until 31 July 2014)	Member of Court
Dr N. Adamson (until 31 July 2014)	Member of Court

Secretary: Executive Officer to Court

MEMBERSHIP OF COURT AND COMMITTEES

<i>Members</i>	<i>Status</i>
PLANNING & RESOURCES COMMITTEE	
Senior Governor (Convener)	<i>ex officio</i>
The Principal	<i>ex officio</i>
The Deputy Principal	<i>ex officio (until 31 July 2014)</i>
The Quaestor & Factor	<i>ex officio</i>
President of the Students' Association	<i>ex officio</i>
Director of Representation, Students' Association	<i>ex officio (until 31 July 2014)</i>
Mr M. Jones	Non-executive member
Dame A. Pringle	Non-executive member
Sir J. Elvidge	Non-executive member
Professor Sir D. Wallace (from 1 August 2014)	Non-executive member
Professor F. Andrews (until 31 July 2014)	Member of Court
Professor J. Naismith (from 7 November 2013)	Member of Court
<i>Secretary: Executive Officer to Court</i>	

REMUNERATION & HUMAN RESOURCES COMMITTEE

Senior Governor (Convener)	<i>ex officio</i>
The Principal*	<i>ex officio</i>
Mr K. Dalton (from 7 November 2013)	Non-executive member
Dr N.M. Bryson (until 31 July 2014)	Non-executive member
Mr N. Morecroft	Non-executive member
Professor Sir D Wallace (from 1 October 2014)	Non-executive member
<i>Secretary: Executive Officer to Court / Chief Legal Officer</i>	

* Matters affecting the Principal's own contract are considered in her absence

REPORT OF THE UNIVERSITY COURT

Background

The University of St Andrews (the “University”) is Scotland’s oldest university. Over six centuries it has established a reputation as one of Europe’s leading and most distinctive centres for teaching and research. There are four faculties: Arts, Science, Medicine and Divinity, under which are Schools and Research Institutes.

Located in St Andrews, the University is a world-class research-led institution which educates around 6,500 undergraduate and 1,500 postgraduate students from more than 100 countries, and attracts academics from around the globe. As a venue for international conferences and a hub of cultural interest, the University is also a major contributor to the cultural and commercial life of the local community, Scotland and the United Kingdom more generally. An independent Economic Impact Assessment carried out most recently in 2012 established that the University generates £484 million for the Scottish economy annually and supports as many as 9,000 full-time jobs. For every pound of teaching and research monies received from the Scottish Funding Council, the University returns over £12 to the economy.

Preparation of the financial statements

The financial statements for the year to 31 July 2014 have been prepared in accordance with the Statement of Recommended Practice: Accounting for Further and Higher Education and the Scottish Funding Council’s (SFC) Accounts Direction. As noted in the statement of principal accounting policies on page 24, the financial statements have been prepared on a historical cost basis as modified to include listed investments and endowment assets at their market value.

Results for the year

Total income increased by 5.4% to £193.9 million and the surplus for the year was £5.6 million (£4.8 million in 2012/13). The main reason for the improved surplus was one-off, non-recurring favourable items including credits relating to a technical accounting adjustment for FRS17 (Retirement Benefits). The surplus represented around 2.9% of total income (2.6% in 2012/13).

Although the overall outcome was on plan, the operating surplus falls short of the medium-term target of 3% (as a proportion of income) and the long-term target of 5% which Court believes is desirable for a sustainable financial future.

Grants received from the SFC were £43.0 million, representing 22.2% of total income, which is down from 23.0% in 2012/13 and 23.6% in 2011/12. This reflects the growth in the University’s income from other sources, combined with the phased withdrawal of funding by the Scottish Government for students from the rest of the UK (RUK).

Tuition fee income increased by 13.1% to £71.6 million, reflecting the transfer of funding responsibility from government to individuals in RUK, coupled with growth in income from overseas undergraduates. Whilst St Andrews continues to be very successful in attracting high quality overseas students, universities across the UK see overseas markets as a source of growth to help counteract the restrictions on UK supported places, and hence competition to attract these students is increasing. The University’s strategy is to ensure it maintains its excellent standards and reputation in order to continue to attract the very best students from across the world.

REPORT OF THE UNIVERSITY COURT

Results for the year (Cont'd)

Research income remained static at £39.2 million, which was disappointing given the substantial investment that has taken place in research facilities and academic staff, as well as the high level of grants awarded in previous years. In this year of the Research Excellence Framework, and all the associated work that comes with this crucial exercise, the level of grants awarded fell from £53.2 million to £35.6 million – the lowest value for four years. It will be essential for the University to improve this performance and increase its applications and awards in coming years in order to generate a sufficient contribution towards overheads and to maintain its position as one of the leading UK research-led institutions.

Other income increased by £0.2million to £36.3 million due to higher residence and conference income.

Endowment and Investment income, which helps to support widening access through the funding of scholarships, increased by 27.4% to £3.8 million, reflecting improved returns on our endowment funds. Despite cash balances increasing by 29.2% to £34.5 million, interest earned fell during the year as deposit rates were at an all-time low.

Pay costs, which are the largest area of expenditure, increased by £6.2million to £108.8 million, driven mainly by investment in academic staff. This is equivalent to 56.1% of total income, up from 55.8% in 2012/13. A voluntary severance and early retirement scheme was introduced during the year and it is expected that this will generate savings in future years. Pay scales and pay negotiations are determined at a UK level, with the University's ability to exert influence being very limited. It is likely that anticipated improvements in the general economy (whilst not equating to improvements in funding support for the higher education sector) may increase demands for an upward trend in pay settlements. This cost inflation could put pressure on the funds available for investment in targeted academic resource and the further enhancement of the student experience. It is therefore essential that the University continues to manage carefully the size and shape of its staffing complement.

Other operating expenses increased by £0.5million to £62.2 million. There were significantly higher costs relating to the strategic funding of postgraduate scholarships. General cost inflation was offset by a one-off rates rebate and lower than expected utilities costs due to the mild winter.

The University has an unquantified liability relating to the UK-wide Universities Superannuation Scheme (USS). The latest USS triennial valuation in March 2011 showed a total deficit of £2.9 billion and this is expected to have increased significantly when the March 2014 valuation is available. Changes in benefits, contribution rates and scheme structure have been implemented in the last few years in an attempt to address this deficit; but there is a risk that further contributions will be required, putting further pressure on staff costs. Because of the constitution of the USS scheme, St Andrews, along with all other universities in the Scheme, is not able to identify its share of the deficit and consequently this liability does not appear in the accounts.

Net assets increased by £3.7 million to £160.4 million. There was further growth in tangible fixed assets of £6.4 million, reflecting the University's continued investment in its estate. Combined with a decrease in net current liabilities of £4.3 million, this contributed to an increase of £10.2 million in net assets (excluding the USS pension liability). The increase in net assets was offset by a £6.6 million adverse movement in the FRS17 pension deficit of the University's local pension scheme. Other movements on the balance sheet saw Endowment Assets grow by around £0.2 million to £50.1 million and an increase in provisions of £0.5million related to the voluntary severance scheme.

REPORT OF THE UNIVERSITY COURT

Key Performance Indicators

The University measures its performance against a set of Key Performance Indicators (KPIs). During the year Court approved a revised range of KPIs in order to ensure they provide meaningful information which highlights the key elements of successful University performance, and the factors which drive such performance. The KPIs which address areas such as Research; Learning, Teaching and Student Experience; Access to Education by Under-Represented Groups, Financial Stability; Staff, Infrastructure and Reputation use a Red Amber Green (RAG) rating system and are proving a useful tool for management and for overall governance.

Research

Disappointing research performance in the year is reflected in the KPIs. This notwithstanding, a significant amount of work was undertaken by academic staff as part of the Research Excellence Framework (REF), gathering information on outputs, environment data and impact case studies in time for the 31 October 2013 deadline. The assessment of this work is currently underway and the results are expected to be known in December 2014.

Research – Key Indicator	Indication	Comment
Research income per academic staff	RED	Investment in academic staff has still to generate increased income.
% of income from industry	RED	Staff movements within the Science schools adversely affected this indicator.
Post Graduate Research (PGR) population	AMBER	Strategic funding has been made available and this has seen an increase in PGR applications and acceptances.
REF performance	N/A	Will be known in December 2014.

Learning, Teaching and Student Experience

The University continues to attract many more student applications than available places and has record numbers of applicants. In 2013/14, St Andrews received an average of 11 applications per place. In some subjects, the rate was as high as 30 applicants per place. This validates the standing of the learning and teaching opportunities that are offered and the desire of students from across the world to come to St Andrews to learn. Whilst overseas applications have risen slightly for 2014/15, RUK undergraduate application numbers reflect a highly competitive market. The University believes that an excellent student experience is critically important to keep attracting the best students. In the 2014 National Student Survey (NSS), which measures student satisfaction with their teaching and learning experience, St Andrews was joint-top in the UK. This is the ninth year in succession St Andrews has featured at the top of the NSS, demonstrating its deep rooted commitment to academic excellence and meeting student expectations of a world-class academic experience. In all other areas of learning, teaching and student experience, including widening access and graduate employment, the key indicators are all positive. The University has made considerable progress to widen participation from under-represented groups via an ambitious programme of outreach and contextualised admissions, as agreed in its Outcome Agreement with the Scottish Funding Council. In 2013/14, 39% of our Scottish and EU entrants and 22% of our RUK entrants had access flags on their applications. Specific areas flagged on applications were: school or area with low level of progression to HE, young person in care, residence in areas of socio-economic disadvantage and participation in pre-HE programmes aimed at raising aspiration. The number of entrants to St Andrews from the most deprived areas of Scotland as defined by the Scottish Index of Multiple Deprivation (SIMD) increased by 29%.

REPORT OF THE UNIVERSITY COURT

Learning, Teaching and Student Experience (Cont'd)

Learning, Teaching and Student Experience – Key Indicator	Indication	Comment
Ratio of applications to target entrant numbers	AMBER	Demand is high and stable for most cohorts.
% Scottish domiciled entrants from Scottish Index of Multiple Deprivation (SIMD)	GREEN	The number of Scottish SIMD entrants has increased by 29% compared to prior year.
Graduate employment	GREEN	% in employment and average salary earned by graduates are in-line with UK peers.
Student Satisfaction	GREEN	Ranked joint top in the UK for student satisfaction in the most recent National Students Survey (2014).

Financial Stability

The University's financial strategy addresses efficiency, liquidity, borrowing levels and surplus generation. The KPIs are designed to ensure that the University remains financially stable and sustainable by generating sufficient funds to support new infrastructure and on-going maintenance. A surplus equivalent to 2.9% of turnover was achieved, which is up from 2.6% last year, and above that initially budgeted. The long-term target for the University remains at 5% of total income, which Court believes is desirable to sustain an appropriate level of on-going investment. Cash balances continue to increase steadily, resulting in a reduction in the net current liability position and moving the University towards the goal of having net current assets. The University has £91.3million of term loans, of which £30.0million is repayable from 2019 and £60.0 million from 2039. Interest payments are fixed for the duration of the loans and form part of the normal operating expenditure and cash management plans.

The University continues to derive its income from a number of sources, thus reducing the dependency on any particular income stream and reducing risk and exposure to changes affecting particular activities. Pay costs are an area of continuing concern as the proportion of staff costs to income has increased from 55.7% to 56.1%. A long-term target of between 51% and 55% has been agreed by Court. This indicator should improve as the investment in academic staffing feeds through to increased research income and as the anticipated recurring savings from the voluntary severance scheme are realised.

Financial Stability – Key Indicator	Indication	Comment
Proportion of income per funding source	AMBER	Indicator affected by static research income.
Staff costs as a % of total income	RED	Increased academic staffing which has not yet resulted in increased research income.
Surplus as a % of total income	GREEN	Some large, non-recurring gains within the 2013/14 results offset the higher than optimum staff costs indicated above.
% Difference between target and student enrolment	AMBER	Most cohorts are well above or around expectation levels.

REPORT OF THE UNIVERSITY COURT

Staff

The University's success derives from the enthusiasm, dedication and talent of its academic staff, along with the ability and professionalism of support staff working in its Schools and Units. The University is committed to working with its staff to strive for excellence and further enhance the reputation of the University. The Athena Swan Bronze Award held by the University recognises that it has a solid foundation for eliminating gender bias and develops an inclusive culture that values all staff. The University retained the European Commission's "HR Excellence in Research" award, which demonstrates a commitment to improving the working conditions and career development of its research staff.

Staff – Key Indicator	Indication	Comment
Athena Swan award	GREEN	Institutional award due for renewal in 2016.
Staff survey results	AMBER	Some areas for improvement but 90% of staff indicated that they derive satisfaction from their work.
Staff absence	AMBER	Slightly above the UCEA benchmark of 5.5 days.
Health & Safety – reported incidents	AMBER	Composite high-level indicators for accident data are being developed for use in 2015.

Infrastructure

The University continues to upgrade its infrastructure to meet the additional demands of a larger and more technology-dependent student body. The aim is to bring the entire physical infrastructure to, and maintain it at, a level required to support its varied uses at an acceptable level. Critical to this aim is the consolidation of IT networking infrastructure into purpose built facilities. The University invested heavily in new IT equipment during the year and is committed to maintaining this spend in future years. Information on energy usage is contained within the Corporate Sustainability Report on pages 20-21.

Infrastructure – Key Indicator	Indication	Comment
Building quality	GREEN	Major spending over recent years is reflected in the relatively good condition of buildings.
Equipment quality	AMBER	Areas for improvement in the provision of IT equipment. Further investment is planned.
Energy costs	AMBER	The trend continues to be upwards. Planned wind and biomass projects are addressing this risk.

Reputation

The University continues to perform well in relative terms on the domestic and global stage and has been consistently ranked one of the top 5 in the UK and among the top 200 in the world by the definitive domestic and global HE league tables in recent years. This reputation for excellence is important in an increasingly competitive and globalised market place and therefore the University cannot be complacent. The requirements for league table positions are reviewed regularly to help shape the strategic agenda and guide the investment decisions to build on current success.

REPORT OF THE UNIVERSITY COURT

Reputation (Cont'd)

Infrastructure – Key Indicator	Indication	Comment
Domestic League Table performance	GREEN	Excellent NSS results, high quality entrants and positive graduate employment statistics underpin this strong performance.
Global League Table performance	AMBER	Ranked within the top 1% of institutions in the world. Fare less well than our global peers with regard to research income (particularly industrial).

Future developments and principal risks and uncertainties

There are a number of risks that are being actively managed:

- It is essential that the significant investment in academic staffing and infrastructure feeds through into increased research applications, awards and income. The forthcoming REF results are critical for a research-intensive university such as St Andrews to secure future grant funding. A quarterly Research Forum, chaired by the Vice-Principal of Research, monitors performance in these areas and takes the corrective action that is required.
- The staffing complement needs to be proactively shaped and managed if the University is to lower the percentage of income spent on pay. There is an ongoing project, led by Human Resources, to improve transparency, real-time reporting and cost projections which should improve visibility and aid decision-making with regard to new post approvals and workforce management.
- Pay negotiations, over which the University has little control, continue to be a risk due to the growing gap between headline inflation, restrictions on income growth and affordable pay offers.
- The 2011 valuation of the USS pension scheme shows a significant deficit and the 2014 valuation is expected to be considerably higher. There also remains a liability in the University's local pension scheme. Both of these schemes are subject to considerable volatility exposure beyond the control of the University. Any potential increase in employer contributions towards these deficits will present a significant financial challenge, which, combined with proposed changes to the national insurance regime, could cost the University of upwards of £3m per annum.
- Utilities, price-inflation and energy utilisation are risks to the University as forecast cost increases far out-strip projected income growth. The University has plans to build a wind-farm and a bio-mass plant in order to mitigate increasing prices and significantly reduce its carbon footprint. There is a focussed sustainability agenda to address utility usage.
- Maintaining RUK and overseas student numbers is critical to ensure tuition fee income is kept at a sustainable level. This is mitigated by ensuring that the student experience is second to none and is supported by significant planned investments in student facilities in Sport alongside completion of the current development of the Students' Association building.
- Increasing reliance on technology and the increasing expectations of the University's community are being addressed through planned expenditure on IT systems, to increase resilience, security and provide excellent support to both staff and students.

REPORT OF THE UNIVERSITY COURT

Achievements

In the National Student Survey (NSS), students have voted St Andrews as one of the best universities in the country. It was ranked the top multi-faculty university in Scotland and joint-top in the UK. In January, the University held its first Career Launch Conference - a three-day event which offered employability workshops, inspirational speakers and networking opportunities as well as mock interviews and assessment centre exercises. The University has also listened to the feedback from the student body and invested heavily in improving the facilities available to students. Phase I of a £12million refurbishment of the Student Union was completed during the year and an extensive £14million improvement of Sports facilities has begun and is expected to continue for the next few years. The iconic Martyrs Kirk building, purchased in 2012, was re-furbished and brought into use as a Research Library and Special Collections Reading Room - an excellent resource for our academics and postgraduates.

The University is totally committed to enabling access to high-quality students regardless of circumstance. Student maintenance scholarships and bursaries increased from £7.6million to £9.1million during the year, with a further £3.3million of assistance granted towards tuition fees. This financial support included almost £1.0million of assistance from the newly created “600th Scholarships” – a fund specifically designed to support postgraduate scholars and established to mark the 600th Anniversary of the University.

The University continues to record notable success in UK Higher Education league tables. Most recently, it achieved 3rd place (after Oxbridge) in both the Guardian University Guide 2015 and The Times and Sunday Times Good University Guide 2015. For the second year in succession, The Times and Sunday Times Guide named St Andrews Scottish University of the Year and shortlisted it for the title of UK University of the Year. Internationally, the University was ranked 39th in the Leiden Ranking 2014, which assesses the quality and importance of scientific research at 500 of the world’s top universities. This is up 8 places on last year and places the University fifth in the UK. In world rankings, St Andrews has always faced a particular challenge where volume factors influence methodologies. In the QS World University Rankings 2015 it is placed 87th, and in the Times Higher World University Rankings 2015 it climbed six places to 111th. It should be noted however that it is ranked 14th in the world by the Times Higher for International Outlook (a measure of diversity on campus and the extent to which staff collaborate with international colleagues) and 81st in the world for Citations (the number of times St Andrews’ research is cited by other academics). By any standards these are significant achievements for a comparatively small university.

To take forward this level of achievement in the future, the University is currently reviewing its Strategic Plan. Particular attention is being given to academic initiatives that offer synergies with existing research and teaching strengths, the possibility of external funding and attractiveness to students. New interdisciplinary centres and institutes are being established, the most recent being an Institute for Data-Intensive Research and a Centre for Archaeology, Technology and Cultural Heritage.

St Andrews’ researchers engaged formally and informally in discussions and contracted R&D services with around 390 different companies in 2013/14 (an increase of 14% from 2012/13). Two of the University’s spinout companies won Scottish Government SMART Awards: Genuswave Ltd, to develop its commercial acoustic startle device (ASD), and Xelect Ltd, to develop its genotype analysis services for commercial fish breeders. Another spin-out company, Ambicare Ltd, secured a commercial distribution deal with Boots Ltd under which its Lustre light therapy for acne will be available on the Boots website and at around 200 Boots stores in the UK.

REPORT OF THE UNIVERSITY COURT

Achievements (Cont'd)

An institutional commitment to excellence was reflected in the numerous prizes and awards made to our academic staff during the year. These include Professor Naismith, the Director of the Biomedical Sciences Research Complex, who was elected a Fellow of the Royal Society. Computer scientist Dr Kristensson was named as one of 35 top young innovators most likely to change the world by the prestigious MIT Technology Review. Professor O'Hagan from the School of Chemistry received a Wolfson Research Merit Award from the Royal Society and Professor Douglas Dunn, the former Head of the School of English, received the Queen's Gold Medal for Poetry, in recognition of his lifetime contribution to literature.

The University recognises the importance of working in harmony with the town of St Andrews of which it is such a large and integral part. To this end, the University is exploring the possibility of extending free wi-fi access across the town, making it available to the local community as well as to staff and students located in University buildings. It has also worked during the year to develop a rescue package for the Byre Theatre, a much loved community resource which went into liquidation in 2013. A proposal to operate the Byre as a theatre, educational resource, general arts venue and music centre was accepted by Fife Council and the first performances hosted by the newly invigorated theatre will take place in the Autumn of 2014.

People

The University recognises that the whole of its community contributes to its continued success and that students are a vital part of that community. The effective partnership working that is in place with students on a wide variety of issues on academic, support, governance and extra-curricular activities is an essential element in maintaining and enhancing this success. The University takes great pride in what its students achieve - both academically and through their very extensive charitable and voluntary activities.

The University is particularly grateful to the dedicated lay members of Court who contribute their time and skills without remuneration. They help to ensure strong governance of the University by providing an appropriate mix of support and necessary challenge to management.

The Senior Governor undertook a Court Effectiveness Review during the year. The outcomes have been presented to Court and the actions required will be implemented during financial year 2014/15.

Looking forward

Although the surplus for 2013/14 was above expectations, it was boosted by a number of non-recurring items. The Court is committed to managing pay costs, realising efficiency savings and increasing research income to safe-guard longer-term financial sustainability.

Financial pressures notwithstanding, the University will continue to look after its students, preserve its heritage and enhance its teaching and research capabilities, continually striving for excellence in everything that it does.

Sir Ewan Brown
Senior Governor
24 October 2014

The University of St Andrews is a charity registered in Scotland: No. SC013532

RESPONSIBILITIES OF COURT

In accordance with the Universities (Scotland) Act 1889 as amended by the Universities (Scotland) Act 1966, Court 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.

Court is responsible for ensuring that there are proper accounting records which disclose with reasonable accuracy at any time the financial position of the University and 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: Accounting for Further and Higher education, and other relevant accounting standards. In addition, within the terms and conditions of the Financial Memorandum agreed with SFC, through its designated office holder, Court 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 are 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. 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.

Court has responsibility to:

- ensure full compliance with charities legislation and the retention of the University's charitable status;
- ensure that funds from SFC are used only for the purposes for which they have been given and in accordance with the Financial Memorandum with SFC and any other conditions which SFC 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;
- ensure that there exists an effective platform for the control and monitoring of risk and that risk implications are considered at all areas within University management;
- 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 staff;

RESPONSIBILITIES OF COURT

- a comprehensive planning process, supplemented by detailed annual income, expenditure, capital and cash flow budgets;
- regular reviews of financial performance, including updates of forecast out turns;
- 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 Court and promulgated in the Standing Financial Instructions;
- comprehensive Financial Regulations, detailing financial controls approved by Court on the recommendation of the Planning & Resources Committee;
- an Internal Audit team whose annual programme is approved by the Audit & Risk Committee and endorsed by Court providing 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;
- an Audit & Risk Committee whose terms of reference are laid along with all Court Committees and which are summarised on pages 16 and 17.

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

CORPORATE GOVERNANCE

The University is committed to best practice in all aspects of corporate governance. The summary provided below describes the manner in which the University has applied the principles set out in The UK Corporate Governance Code (September 2012), developed to establish standards of best practice in corporate governance amongst UK listed companies. Its purpose is to help the reader of the financial statements understand how the principles have been applied. The summary incorporates internal control guidance for directors set out in the Turnbull Guidance (The FRC Internal Control Revised Guidance for Directors on the Combined Code) as amended by the British Universities Finance Directors Group. It also takes account of the new Scottish Code for Good Higher Education Governance (The Scottish Code), which came into effect on 1 August 2013. In its introduction, the Scottish Code specifies that it “is not a prescriptive set of rules, but rather a set of Main Principles supported by Guidelines and examples of good practice which should be added to over coming years” (p. 1).

Compliance with best practice

The main principles of the Scottish Code have been in the process of being implemented during this financial year and improvements in practice include increasing the proportion of independent members on Court committees, establishing an assessment of the skills and experience of Court members, recruiting new members on the basis of this assessment and ensuring the availability of Court agendas, minutes and papers. An action plan is in place in order further to develop and adopt best practice procedures as part of a commitment to ongoing improvements in Corporate Governance. Aspects of The Scottish Code which relate to events that have not yet occurred, such as the conduct of a quinquennial externally facilitated evaluation of effectiveness, will be introduced as they occur in the calendar of events.

There is divergence between University practice and The Scottish Code for the following Main Principle:

- The Senior Governor is not the chair of the Governance & Nominations Committee as set out in Main Principle 11 of the Code. This role is fulfilled by an external non-executive convener, which the Court believes is best practice. The use of an external convener who is independent of the University Court allows the Governance & Nominations Committee freely to consider the role and appointment of the Senior Governor, as well providing a rigorously impartial leadership for all its business of appointments and governance.

The Scottish Code also provides a set of Supporting Guidelines to the Main Principles. The following points of information are provided with respect to these:

- Although a Supporting Guideline to Main Principle 6 recommends that the governing body should have the power to remove any member from office, members of Court do not have the power to remove the Rector from office.
- In January 2014, the Senior Governor’s term of office was extended to a total of nine years of service, the maximum recommended by the Supporting Guideline to Main Principle 11. The appointment was approved by Court in line with the existing process for continuation of service; however, this meant that the re-appointment procedures did not fully reflect the supporting guidance for the appointment of a new Chair laid out in the Code. The procedures for the election of a new Chair will adopt the Supporting Guidelines when this term ends.
- The Remuneration & Human Resources Committee is currently chaired by the Senior Governor. The wording of a Supporting Guideline to Main Principle 15 could suggest that the Remuneration Committee should be chaired by an independent member other than the chair of the governing body. The Court will seek clarification from the Funding Council whether a

CORPORATE GOVERNANCE

change in current practice is required. All remuneration policies are available, and the Committee is considering any further policies that may be required.

Because this year represents a transition between adherence to the UK Corporate Governance Code and the new Scottish Code, consideration will be given to both codes. It is not envisaged, however, that the formal consideration of the UK Corporate Governance Code will continue in the future. In the opinion of the University Court, the University complies with most of the principles of The UK Corporate Governance Code and the Turnbull Guidance (amended as outlined above), in so far as they apply to the higher education sector, and it has complied with such principles throughout the year ended 31 July 2014.

There is divergence between University practice and The UK Corporate Governance Code (September 2012) in the following two areas:

- Chair of Court - Meetings of Court are presided over by the Rector, an elected representative of the students, in terms of the Universities (Scotland) Act 1889, section 5(5). Accordingly, the University cannot comply with best practice with regard to Chair of Court. The University has, however, with the full consent of the Rector, instituted an arrangement for the selection of one of the non-executive members of Court to act as 'Senior Governor'. The Senior Governor leads Court on all items of business associated with planning and resources and for such other matters as the University may be held accountable to the SFC. In addition, the Senior Governor is responsible for the appraisal and review of Court members and the Principal. The Senior Governor is chosen by Court and thus has the support of the governing body as a whole in fulfilling these roles as well as engaging directly with SFC and the Scottish Government as appropriate. The new Scottish Code for Good Higher Education Governance recognises this distinction between the roles of the Senior Governor and the Rector and makes provision for the Rector's precise role at meetings to be established by a protocol determined by each University Court, a practice that has been in place in the University for several years.
- Term of Office – Elected and appointed members of Court normally have a term of office not exceeding four years. This compares with The UK Corporate Governance Code principle of three-year terms of office. Nevertheless, Court members are normally limited to two four-year terms of office, unless extended in exceptional circumstances. The relatively large size of Court in comparison with listed companies (due in part to the representation of different interest groups on Court, encouraged in the Scottish Government's recent review of higher education governance) means that there is a regular turn-over of membership of Court as a whole. The new Scottish Code for Good Higher Education Governance has recognised both three- and four-year terms of appointment.

Court, which is the governing body of the University, derives its authority from Acts of Parliament which, *inter alia*, vest in Court the administration of all property and revenues of the University and give it the power to review the decisions of the Senate. 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.

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.

CORPORATE GOVERNANCE

Responsibility for the monitoring of risk lies with the Audit & Risk Committee on behalf of Court. The University has a Risk Management Group, led by a member of the Principal's Office and containing representatives from all key University activities. This Group is tasked with responsibility for embedding risk management in all decision-making processes of the University. It operates within a framework of control agreed by the Audit & Risk Committee to ensure that the University continually monitors its exposure to risk, taking corrective action where necessary, with performance of this role measured and monitored by the Audit & Risk Committee.

Court had four regularly scheduled meetings during the year ended 31 July 2014, one of which was linked to a strategic away day. Court has a number of committees with particular areas of responsibility. The Court also operates an assurance scheme whereby areas of responsibility are governed by a number of Assurance Groups, each of which includes a member of Court and with a reporting line to a Court Committee.

The Court Committees and related Assurance Groups are:

Committee	Assurance Group
Audit & Risk Committee	Academic Health & Safety University Ethics
Governance & Nominations Committee	
Planning & Resources Committee	Investment & Treasury
Remuneration & Human Resources Committee	

All of the Committees are constituted with formal terms of reference, outlined in the Court Members' Handbook available at <http://www.st-andrews.ac.uk/about/UniversityCourt/Handbookformembers/>. Membership of committees is disclosed on pages 1-3. In addition, the University Court receives reports from the University's Superannuation & Life Assurance Scheme, the chair of whose trustees is an independent member of the committee.

The **Audit & Risk Committee** consists of non-executive members of Court, supplemented by additional co-opted external non-executive members to assist it in its role. The Committee reviews the audit of the University's annual financial statements and keeps under review (a) policies, procedures and regulations in respect of the University's assets (including its special collections), and (b) financial controls, accounting procedures, the application of accounting standards, and routine arrangements for the investigation of questions of financial irregularity or impropriety. In addition, it considers all matters relating to the internal and external audit, of the affairs of the University and of those companies controlled by Court. In this capacity it receives reports from the internal and external auditors. As noted above, it also has responsibility for monitoring risk and receives regular reports from the University's Risk Management Group. Whilst senior executives attend meetings of the Audit & Risk Committee as necessary, they are not members of the Committee; and the Committee has the opportunity to meet with the internal or external auditors in the absence of University staff.

Three Assurance Groups report to Audit & Risk Committee.

- The Academic Assurance Group oversees the implementation, management and monitoring of the University's quality enhancement strategy and quality assurance procedures. It also advises Academic Council (for Senate) on changes to the University's academic monitoring procedures; and liaises with University Officers and Committees on matters relating to academic quality assurance.

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- The Health & Safety Assurance Group advises the Audit & Risk Committee on all matters concerning health and safety, including the University's legal obligations. The Group receives annual reports from the University's Director of Environmental, Health & Safety Services concerning the management of all areas of health and safety at work, including occupational health, radiation hazards, biological and chemical hazards and fire safety. In addition, the Group considers, as required, reports from Inspectors of enforcing authorities under health and safety legislation, reports from the University's insurance brokers and issues raised by the Trade Union safety representatives and student sabbatical officers. The Group reviews the University's Health & Safety Policy, agrees programmes for health and safety audits and ensures that recommended action is taken efficiently and effectively. Through the Audit & Risk Committee, the Group also makes recommendations to Court on actions considered necessary to promote the health and safety of employees, students and others within the University.
- The University Ethics Assurance Group undertakes to assure the appropriateness of the University's policies, procedures and decision-making where ethical consequences may be of significant concerns. This also applies to University sponsored activities wherever geographically undertaken. In particular it receives reports from the University Teaching & Research Ethics Committee, the Animal Welfare Ethics Committee and other secure research activities. In turn it reports to the Audit & Risk Committee on the effectiveness of these control activities and any issues of concern.

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 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 or internal bodies. It is also responsible for initiating effectiveness reviews of Court's activities. It is convened by an independent chair, selected from outwith the membership of Court.

The **Planning & Resources Committee** (PARC) reviews the annual budget and financial forecasts of the University, and the levels of residential, tuition 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 reviews and makes recommendations on individual financial decisions which due to their size or nature are reserved for Court. It is also empowered to take individual financial decisions in accordance with limits prescribed in the Standing Financial Instructions. In respect of its strategic planning and development responsibilities, Court receives recommendations and advice from PARC. PARC also keeps under review and reports to Court on the University's external fundraising. PARC is chaired by the Senior Governor; it includes in its membership the non-executive Court member who convenes the Investment & Treasury Assurance Group.

One Assurance Group reports to PARC.

- The Investment & Treasury Assurance Group is charged with ensuring that appropriate and effective decisions are taken with regard to the investment and holding of funds under the University's management and that these activities are conducted with due regard to the University's investment policy and management of risk. It 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

CORPORATE GOVERNANCE

their management and (iii) University investments not under the management of the investment advisers. It reviews and makes changes in the appointment of the University's investment and treasury advisers and takes decisions in relation to the general nature or distribution of the investment portfolio and holdings, reporting as appropriate to PARC.

The **Remuneration & Human Resources Committee** ensures that the University's responsibilities as an employer are being properly managed and approves remuneration arrangements for University staff above defined thresholds. It receives, considers and approves the recommendations of the Principal in relation to the remuneration of all staff whose salary progression does 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 £80,000; determines, through its non-executive 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 in remuneration or severance arrangements. More widely with regard to University staff, the Committee also receives, reviews, approves and monitors the University's strategic objectives in respect of its staff; considers, encourages and reviews the effectiveness of staff policy initiatives; reviews succession planning; reviews the effectiveness and performance of the Human Resources activities and monitors compliance and risk management with respect to employment law and practice. The promotion of equality opportunities throughout the University also falls within its remit.

In keeping with the University's policy on the registration and declaration of interests, all persons routinely attending meetings of Court and its 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 Executive Officer to Court and Senate has established and maintains a formal register of interests, which, under new guidance in the Scottish Code of Good Higher Education Governance, is made publicly available on the University website.

Equal Opportunities

The University has an Equality and Diversity Inclusion Policy that applies to all staff and all students. It was revised in November 2011, taking into account the provisions of the Single Equality Act (2010) and the General Duties of the Scottish Public Sector Equality Duty (2011). The Policy's aims are that all individuals will be treated with respect and that they will not be subject 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 Equality and Diversity Inclusion Policy aims to achieve an environment in which unfair discrimination is not tolerated, and in which everyone has the opportunity to develop to his or her full potential. This Policy includes specific provision for existing and potential employees with protected characteristics, including those 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. To comply with updated equalities legislation, including Scottish Specific Duties (2012), the University has introduced a Single Equalities Outcome Scheme for the period 30 April 2013 to 30 April 2017. This scheme consolidates required actions across all equality strands and protected characteristics into a single plan, and replaces previous schemes and plans for disability, gender and race equality. The University's diversity policy includes undertaking Athena Swan assessments concerning women in science and joining the Race Equality Charter Mark pilot evaluation.

CORPORATE GOVERNANCE

Training of Court Members

As recommended by The Scottish Code, details relating to the annual training of Court members are as follows:

DATE	TRAINING	MEMBER
September 2013	Court Induction completed	Mr D. Stutchfield
September 2013	Court Induction completed	Mr P. Mathewson
September 2013	Court Induction completed	Dr C. Hooley
September 2013	'The Next Move' HE Seminar (Audit Committee)	Dr M. Popple
September 2013	Student as Governor, London	Ms C. Hill
September 2013	Student as Governor, London	Mr T. Woodhouse
September 2013	Student as Governor, London	Mr P. Mathewson
October 2013	Being an effective Governor (Scotland), Edinburgh	Mr T. Woodhouse
October 2013	Being an effective Governor (Scotland), Edinburgh	Mr D. Stutchfield
November 2013	Court Induction completed	Prof J. Naismith
November 2013	Higher Education: Progressing the Nation, Edinburgh	Mr N. Morecroft
November 2013	Making Governance Work for Staff Governors, London	Prof F. Andrews
December 2013	Court Induction completed	Mr K. Dalton
February 2014	KPMG's Workshop for HE Audit Committees, Edinburgh	Dr M. Popple
February 2014	KPMG's Workshop for HE Audit Committees, Edinburgh	Mr N. Morecroft
February 2014	KPMG's Workshop for HE Audit Committees, Edinburgh	Mr N. Christie
April 2014	Governor Toolkit Part 3, London	Mr D. Stutchfield
June 2014	Governor Development Programme, Edinburgh	Mr D. Stutchfield
June 2014	Governor Development Programme, Edinburgh	Mr P. Mathewson
June 2014	Governor Development Programme, Edinburgh	Ms C. Hill

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 adhere to 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 26.1 days (2012/13: 33.6 days).

Professor Ronald Piper
Acting Vice-Principal (Governance & Planning)
24 October 2014

CORPORATE SUSTAINABILITY REPORT

This report summarises some of the key sustainability aspects addressed during the year. There were no infringements of environmental legislation during the year and no enforcement notices were issued.

Energy and Carbon Management

The University has a 3-part Energy Strategy to invest in energy efficiency; change behaviours; and deploy renewable technologies. The University has spent £3M through its energy investment fund since 2007, delivering carbon savings of over 60,000 tonnes across 150 individual projects. 120 staff have been provided with environmental training, and 35 have graduated an 18 month 'Passport to Environmental Excellence' training programme. Planning permission has been granted for a 12MW wind farm at Kenly, and a proposal submitted for a 6MW biomass boiler and district heating scheme located at the former paper mill at Guardbridge. These two projects are expected to generate carbon emissions reductions in the order of 29,000 tonnes per annum.

The mild winter saw a reduction in energy consumption with electricity usage down by 1% and gas usage down by 12%. Carbon emissions and water consumption reduced by 5% and 9% respectively when compared to 2012/13.

Waste Management

The amount of waste recycled remains at 73%, with 70% recycled and 3% reused. Total waste arisings generated by the University have increased by over 200 tonnes however the overall percentage waste sent to landfill has fallen. Waste costs continue to rise due to the increased cost of disposal to landfill alongside rising contractor fuel costs.

Resource efficiency was implemented through a number of positive initiatives including supplier take-back schemes and WARPit - a resources redistribution scheme for staff. This saved 21 tonnes of carbon by diverting waste from landfill and reducing procurement spend.

Sustainable Food Policy

During the year, a Sustainable Food Policy and Action Plan was developed by the University to encourage suppliers to procure more local, fresh food with seasonal menu planning, and also to action resource efficiency for example, reduced deliveries, packaging and food waste. Residential & Business Services are currently working towards a 'Food for Life' Catering Mark certification which is awarded by the Soil Association for all their catered halls.

Sustainable Development

Research into sustainable development takes place within many disciplines and focuses on different layers of influence - including the review of international political arrangements, the development of new technologies such as fuel cells that will support a transition to low carbon living, and the interrogation of what role exists for the private sector in developing more sustainable livelihoods.

The Centre for Pacific Studies (part of the Department of Social Anthropology) is a partner in an international collaboration that seeks to explore the role of social science and humanities in understanding the impact of climate change in the Pacific. The EU-funded ECOPAS project (European Consortium for Pacific Studies - <http://www.ecopas.info/>) is a collaboration between four European centres of excellence on Pacific research (in Norway, France, the United Kingdom and the Netherlands) and two major Pacific institutions and focuses on providing coordination and support to research and policy communities on issues connected to climate change and related processes in the Pacific Islands region.

Sustainable Investment

Endowed funds are invested in line with the University's Sustainable and Socially Responsible Investment Policy. The fund managers, Alliance Trust and UBS are instructed to seek investments which:

- promote socially responsible behaviour and sustainability,
- address issues on human rights, business ethics, good employment practice, the environment, community investment, armaments, essential resources and animal testing,
- encourage good behaviour and discourage poor behaviour through the screening of investments.

As part of this policy, the University has established an annual forum for engagement with its staff, students and alumni with Alliance Trust Investment Managers, to provide an opportunity for on-going debate in the consideration of these issues and encouragement of sustainable behaviours.

Student campaigning and charity work

Charitable fundraising and volunteering are at the heart of student life in St Andrews. The Students' Association's dedicated Charities Campaign fundraises throughout the year to support its three local charities (Médecins Sans Frontières, Macmillan Cancer Support and Maggie's Cancer Care) and support the broader charitable efforts of the Students' Association, which raised in excess of £107,000 over the past academic year. Of the 150+ student societies of the Association, most partake in fundraising events or activities throughout the year, raising awareness of the broad number of causes championed in the daily lives of staff, students, and the local community in St Andrews. The Students' Association bolstered these endeavours with over £4,500 awarded in grants to societies who were furthering the charitable efforts of the Association.

On top of such efforts, the Association's Charities Campaign is dedicated to fundraising through the year with the ever-increasing success of activities such as Race2, the sponsored hitch-hike to Europe, which raised £38,000, more than any year previous, and Raising and Giving Week, which raised over £22,000. Student engagement in the Charities Campaign continues to grow at both its grassroots level and its leadership, with more students participating and benefiting charities than ever before.

Derek Watson
Quaestor & Factor
24 October 2014

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

We have audited the Consolidated and University financial statements for the year ended 31 July 2014 which comprise the Statement of Principal Accounting Policies, Consolidated Income and Expenditure Account, Consolidated Statement of Total Recognised Gains and Losses, Consolidated and University Balance Sheets, Consolidated Cash Flow Statement and the related notes 1 to 30. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the University Court of the University of St Andrews ("Court"), as a body, in accordance with the Financial Memorandum of the University; and in accordance with section 44(1) (c) of the Charities and Trustee Investment (Scotland) Act 2005 and regulations 10 of the Charities Accounts (Scotland) Regulations 2006 (as amended). Our audit work has been undertaken so that we might state to 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 Court as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of Court and Auditors

As explained more fully in the Responsibilities of Court set out on pages 12 and 13, Court is responsible for preparing the financial statements and for being satisfied that they give a true and fair view. We have been appointed as auditors under the Financial Memorandum of the University and also under section 44(1) (c) of the Charities and Trustee Investment (Scotland) Act 2005 and report in accordance with regulations made under that Act. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the groups and the University's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by Court; and the overall presentation of the financial statements.

We are also required to report to you whether, in our opinion, funds, from whatever source, administered by the University for specific purposes have, in all material respects, been properly applied to those purposes and managed in accordance with the terms and conditions attached to them and whether income has, in all material respects, been applied in accordance with the relevant legislation and with the Financial Memorandum with the Scottish Funding Council.

In addition, we read other information contained in the Report of the University Court, Responsibilities of Court, Corporate Governance Statement and Corporate Sustainability Report and consider whether it is consistent with the audited financial statements. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Opinion on financial statements

In our opinion 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 2014, and of the surplus of the Group's income over expenditure and the Group's cash flows for the year then ended;
- have been properly prepared in accordance with the Statement of Recommended Practice: Accounting for Further and Higher Education;
- have been prepared in accordance with the requirements of the Charities and Trustee Investment (Scotland) Act 2005 and the Charities Accounts (Scotland) Regulations 2006 (as amended);

Opinion on other matters prescribed by applicable regulations

In our opinion;

- funds from the Scottish Funding Council, grants and income for specific purposes and from other restricted funds administered by the University have, in all material respects, been applied only for the purposes for which they were received; and
- income has, in all material respects, been applied in accordance with the Further and Higher Education (Scotland) Act 1992 and, where appropriate, with the Financial Memorandum with the Scottish Funding Council

Matters on which we are required to report by exception

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

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

Ernst & Young LLP
Registered auditor
Glasgow
24 October 2014

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

STATEMENT OF PRINCIPAL ACCOUNTING POLICIES
For the year ended 31 July 2014

Statement of Principal Accounting Policies

Basis of preparation

These financial statements have been prepared in accordance with the Statement of Recommended Practice: Accounting for Further and Higher Education and in accordance with applicable accounting standards. The financial statements also conform to guidance published by the Scottish Funding Council.

These financial statements have been prepared under the historical cost convention, as modified by the revaluation of listed and endowment asset investments.

While the Balance Sheet shows net current liabilities, the University believes that it will continue to generate sufficient cash to continue to meet its current liabilities as they fall due.

Basis of consolidation

The consolidated financial statements include the University and all material subsidiary undertakings as listed in the notes to the accounts for the financial year to 31 July 2014. Intra-group transactions are eliminated on consolidation. The activities of the Students' Association have not been consolidated as the University does not control these activities.

Recognition of income

Income from SFC is recognised in the period for which it is received.

Fee income is stated gross and credited to the income and expenditure account over the period in which students are studying. Where the amount of the tuition fee is reduced via a discount, income receivable is shown net of the discount. Bursaries and scholarships are accounted for gross as expenditure and not deducted from income.

Recurrent income from grants, contracts and other services rendered are accounted for on an accruals basis and included to the extent of the completion of the contract or service concerned; any payments received in advance of such performance are recognised on the balance sheet as liabilities.

Endowment and Investment income is credited to the Income and Expenditure account on a receivable basis. Income from restricted endowments not expended in accordance with the restrictions of the endowment is transferred from the Income and Expenditure Account to restricted endowments. Any realised gains or losses from dealing in the related assets are retained within the endowment in the Balance Sheet.

Non-recurrent grants received in respect of the acquisition or construction of fixed assets are treated as deferred capital grants. Such grants are credited to deferred capital grants and an annual transfer made to the income and expenditure account over the useful economic life of the asset, at the same rate as the depreciation charge on the asset for which the grant was awarded.

Income from the sale of goods or 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.

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.

STATEMENT OF PRINCIPAL ACCOUNTING POLICIES
For the year ended 31 July 2014

Agency arrangements

Funds the University receives and disburses as paying agent on behalf of a funding body are excluded from the income and expenditure account where the University is exposed to minimal risk or enjoys minimal economic benefit related to the transaction.

Leases and hire purchase contracts

Costs in respect of operating leases are charged on a straight-line basis over the lease term.

Finance leases, which substantially transfer all the benefits and risks of ownership of an asset to the University, are treated as if the asset had been purchased outright. The assets are included in fixed assets and the capital elements of the leasing commitments are shown as obligations under finance leases. The lease rentals are treated as consisting of capital and interest elements. The capital element is applied in order to reduce outstanding obligations and the interest element is charged to the income and expenditure account in proportion to the reducing capital element outstanding. Assets held under finance leases are depreciated over the shorter of the lease term or the useful economic lives of equivalent owned assets.

Taxation

The University is considered to pass the tests set out in Paragraph 1 Schedule 6 Finance Act 2010 and therefore it meets the definition of a charitable company for UK corporation tax purposes. Accordingly, the University is potentially exempt from taxation in respect of income or capital gains received within categories covered by Chapter 3 Part 11 Corporation Tax Act 2010 or Section 256 of the Taxation of Chargeable Gains Act 1992, to the extent that such income or gains are applied exclusively to charitable purposes.

The University receives no similar exemption in respect of Value Added Tax. Irrecoverable VAT on inputs is included in the costs of such inputs. Any irrecoverable VAT allocated to tangible fixed assets is included in their cost.

The University's subsidiary companies are not exempt from taxation. The charge for taxation is based on the taxable profit or loss for the year after the cost of any Gift Aid payment payable to the University.

Land and buildings

Land and buildings are stated at historic cost.

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 benefits to the University from the existing tangible fixed asset beyond its previously assessed standard of performance; the cost of any such enhancements are added to the gross carrying amount of the tangible fixed asset concerned. The cost of buildings includes related interest.

Depreciation

Land and Buildings

Building costs are split between land, building and services and depreciated as follows:

STATEMENT OF PRINCIPAL ACCOUNTING POLICIES
For the year ended 31 July 2014

Depreciation (Cont'd)

Freehold land is not depreciated.

Freehold buildings and services are stated at cost and depreciated on a straight line basis over their expected useful economic lives as follows:

- | | |
|----------------------|---------------|
| - Freehold buildings | 40 – 50 Years |
| - Services | 20 Years |

A depreciable asset's anticipated useful economic life is reviewed periodically by an independent expert valuer and the accumulated and future depreciation adjusted in accordance with FRS 15.

Leasehold land and buildings are amortised over the life of the lease.

Assets under construction are not depreciated until the month following the month in which they become available for operational use.

Donated Assets

Where it is not possible to obtain a reliable cost or valuation or where the cost of obtaining a valuation is greater than the benefit to the users of the financial statements for inherited or donated assets these assets are not capitalised and are not included on the Balance Sheet.

Acquisition with the aid of specific grants

Where buildings are acquired with the aid of specific grants, the grants are capitalised and depreciated. The related grants are credited to a deferred capital grant account and released to the income and expenditure account over the expected useful economic life of the related asset on a basis consistent with the depreciation policy.

Repairs and maintenance

Maintenance expenditure is recognised in the income and expenditure account in the period it is incurred. The University has a planned maintenance programme, which is reviewed on an annual basis.

Equipment and Furniture

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

- | | |
|------------------------------|-------------|
| - Historic assets | 50 Years |
| - Telecommunications Systems | 7 Years |
| - General Furnishings | 7 Years |
| - Equipment | 4 – 7 Years |
| - IT Equipment | 4 Years |
| - Vehicles | 4 years |

Where equipment is acquired with the aid of a research grant, it is capitalised and depreciated over the life of the grant. The related grant is treated as a deferred capital grant and released to income over the same period.

STATEMENT OF PRINCIPAL ACCOUNTING POLICIES
For the year ended 31 July 2014

Investments

Listed investments are stated at market value and heritable property investments held as endowment assets are stated at open market value. Unlisted investments are stated at cost less any provision for impairment of their value.

Stocks

Stocks for resale and other stocks of material value are included at the lower of their cost or net realisable value. Where necessary a provision is made for obsolete, slow-moving and defective stocks.

Cash Flows and Liquid Resources

Cash flows comprise increases or 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 include term deposits held as part of the University's treasury management activities. They exclude any such assets held as endowment asset investments.

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.

Financial Instruments

The University uses interest rate swaps to reduce exposure to interest rate movements on long-term debt. Such swaps are not made for speculative purposes and relate to actual assets or liabilities or to probable commitments, changing the nature of the interest rate by converting a fixed rate to a variable rate or vice versa.

Accounting for charitable donations

Unrestricted donations

Unrestricted charitable donations are recognised in the income and expenditure account when the donation has been received or if, before receipt, there is sufficient evidence to provide the necessary certainty that the donation will be received and the value of the incoming resources can be measured with sufficient reliability.

Endowment funds

Where charitable donations are to be retained for the benefit of the University as specified by the donors, these are accounted for as endowments. There are three main types:

- 1. Unrestricted permanent endowments** – where the donor has specified that the fund is to be permanently invested to generate an income stream for the general benefit of the University.
- 2. Restricted expendable endowments** – where the donor has specified a particular objective other than the purchase or construction of tangible fixed assets, and the University can convert the donated sum into income.
- 3. Restricted permanent endowments** – where the donor has specified that the fund is to be permanently invested to generate an income stream to be applied to a particular objective.

STATEMENT OF PRINCIPAL ACCOUNTING POLICIES
For the year ended 31 July 2014

Accounting for charitable donations (Cont'd)

Donations for fixed assets

Donations received to be applied to the cost of a tangible fixed asset are shown on the balance sheet as a deferred capital grant. The deferred capital grant is released to the income and expenditure account over the same estimated useful life that is used to determine the depreciation charge associated with the tangible fixed asset.

Gifts in kind

Gifts in kind are included in 'other income' or 'deferred capital grants' as appropriate using a reasonable estimate of their gross value or the amount actually realised.

Retirement benefits

The two principal pension schemes for the University's staff are the Universities Superannuation Scheme (USS) and the University of St Andrews Superannuation and Life Assurance Scheme (S & LAS).

The University participates in the Universities Superannuation Scheme (USS), a defined benefit scheme that 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, the scheme's assets are not hypothecated to individual institutions and a scheme-wide contribution rate is set. The University is therefore 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 FRS17 "Retirement Benefits", accounts for the scheme as if it were a defined contribution scheme. As a result, the amount charged to the income and expenditure account represents the contributions payable to the scheme in respect of the accounting period.

The S & LAS scheme is also a defined benefit scheme that is contracted out of the S2P. Assets are held in a separate trustee-administered fund and are measured using market value. The liabilities of the scheme are measured using the projected unit method and discounted at the current rate of return on a high quality corporate bond of equivalent terms and currency to the liability. Any increase in the present values of the liability in the scheme expected to arise from employee service in the period is charged to the income and expenditure account. The expected return on the scheme's assets and the increase during the period in the present value of the scheme's liabilities arising from the passage of time are included in other finance costs, within interest payable or 'investment income' within endowment and investment income. Actuarial gains and losses are reflected in the statement of total recognised gains and losses.

The University continues to make a small and diminishing number of supplementation payments to retired members of the FSSU pension scheme. The liabilities of this scheme can be estimated under FRS17 and have been included in the financial statements.

Provisions

Provisions are recognised in the financial statements when the University has a present obligation (legal or constructive) as a result of a past event, it is probable that a transfer of economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. The amount recognised as a provision is discounted to present value where the time value of money is material. The discount rate used reflects current market assessments of the time value of money and reflects any risks specific to the liability.

STATEMENT OF PRINCIPAL ACCOUNTING POLICIES
For the year ended 31 July 2014

Provisions (Cont'd)

Contingent liabilities are disclosed by way of a note, when the definition of a provision is not met and includes three scenarios: a possible rather than a present obligation; a possible rather than a probable outflow of economic benefits; an inability to measure the economic outflow.

Contingent assets are disclosed by way of a note, where there is a possible, rather than present, asset arising from a past event.

University Collections and Heritage Assets

The University holds significant collections of assets primarily for the University's core purpose of teaching and research. Some of the collections are fully accredited with the Museums, Libraries and Archives Council. Three of the distinct collections have been formally recognised by the Scottish Government as being 'collections of national significance for Scotland'.

The extensive collections include Art and Silver, historical instruments, monuments (historical photographs etc.), furniture and furnishings, books (rare volumes and manuscripts) along with a wide range of historical artefacts. In 1993 with advice from the University Advisory Committee on Collections and Exhibitions were indicatively valued at £75.3 million.

Reliable information on cost or valuation has not been obtained for the vast majority of collections held within special collections. This is because of the diverse nature of the assets held, the number of assets held and lack of comparable market values. The University does not recognise these assets on the balance sheet, other than recent acquisitions which are reported at cost, where the object is purchased, or at the University's best estimate of current value where the object is donated. Acquisitions and donated assets are capitalised and depreciated in line with the stated policy on page 26.

The University does not charge for admission to view its collections which it displays to the general public via its website and across several locations including the Museum of the University of St Andrews (MUSA), the Bell Pettigrew Museum, the Gateway Galleries, the Library and throughout the University estate.

CONSOLIDATED INCOME AND EXPENDITURE ACCOUNT
For the year ended 31 July 2014

	Notes	Year ended 31 July 2014 £000	Year ended 31 July 2013 £000
INCOME			
Funding council grants	1	42,964	42,304
Tuition fees and education contracts	2	71,569	63,303
Research grants and contracts	3	39,230	39,201
Other income	4	36,291	36,086
Endowment and investment income	5	3,826	3,004
Total income		193,880	183,898
EXPENDITURE			
Staff costs	6	108,811	102,606
Other operating expenses		62,155	61,617
Depreciation	9	13,361	12,077
Interest and other finance costs	7	4,641	4,673
Total expenditure	8	188,968	180,973
Operating surplus after depreciation of tangible assets		4,912	2,925
Gain on disposal of fixed assets		5	876
Surplus on continuing operations after depreciation and disposal of assets		4,917	3,801
Surplus for the year transferred to accumulated income in endowment funds	18	701	1,029
Surplus for the year retained within general reserves	19	5,618	4,830

The income and expenditure account is in respect of continuing operations.

CONSOLIDATED STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
For the year ended 31 July 2014

	Notes	Year ended 31 July 2014 £000	Year ended 31 July 2013 £000
Surplus on continuing operations after depreciation of assets, disposal of assets and taxation		4,917	3,801
(Depreciation) / Appreciation of endowment assets	18	(199)	7,443
Endowment additions / transfers	18	1,076	4,368
Surplus on revaluation of fixed asset investment		-	108
Release from revaluation reserve in year	19	(67)	(41)
Actuarial (loss) / gain in respect of pension scheme	30	(8,689)	10,869
Total recognised (losses) / gains relating to the year		(2,962)	26,548
 Reconciliation			
Opening reserves and endowments		96,008	69,460
Total recognised (losses) / gains relating to the year		(2,962)	26,548
Closing reserves and endowments		93,046	96,008

BALANCE SHEETS
As at 31 July 2014

		As at 31 July 2014		As at 31 July 2013	
	Notes	Consolidated £000	University £000	Consolidated £000	University £000
Fixed assets					
Tangible Assets	9	235,411	235,315	229,035	223,399
Investments	10	33	2,228	154	4,153
		<u>235,444</u>	<u>237,543</u>	<u>229,189</u>	<u>227,552</u>
Endowment assets					
	11	<u>50,072</u>	<u>50,072</u>	<u>49,896</u>	<u>49,896</u>
Current assets					
Stock	12	779	614	794	601
Debtors	13	18,248	17,559	17,639	21,538
Short term deposits	24	12,376	12,376	7,127	7,127
Cash at bank and in hand	24	22,095	21,182	19,560	18,784
		<u>53,498</u>	<u>51,731</u>	<u>45,120</u>	<u>48,050</u>
Less: Creditors : amounts falling due within one year	14	<u>(60,992)</u>	<u>(62,627)</u>	<u>(56,912)</u>	<u>(58,130)</u>
Net current liabilities					
		<u>(7,494)</u>	<u>(10,896)</u>	<u>(11,792)</u>	<u>(10,080)</u>
Total assets less current liabilities					
		278,022	276,719	267,293	267,368
Less: Creditors: amounts falling due after more than one year	15	(91,352)	(91,257)	(91,352)	(91,257)
Less: Provision for liabilities	16	(830)	(830)	(340)	(340)
Net assets excluding pension liability					
		185,840	184,632	175,601	175,771
Net pension liability	30	<u>(25,424)</u>	<u>(25,424)</u>	<u>(18,836)</u>	<u>(18,836)</u>
Total net assets including pension liability					
		<u>160,416</u>	<u>159,208</u>	<u>156,765</u>	<u>156,935</u>
Deferred capital grants					
Endowments					
Expendable	18	3,073	3,073	3,326	3,326
Permanent	18	46,999	46,999	46,570	46,570
		<u>50,072</u>	<u>50,072</u>	<u>49,896</u>	<u>49,896</u>
Reserves					
Income and expenditure account excluding pension reserve	19	68,398	67,190	64,881	65,411
Pension reserve	30	<u>(25,424)</u>	<u>(25,424)</u>	<u>(18,836)</u>	<u>(18,836)</u>
Income and expenditure account including pension reserve		42,974	41,766	46,045	46,575
Revaluation reserve	19	-	-	67	67
		<u>42,974</u>	<u>41,766</u>	<u>46,112</u>	<u>46,642</u>
TOTAL FUNDS					
		<u>160,416</u>	<u>159,208</u>	<u>156,765</u>	<u>156,935</u>

Approved by the University Court of the University of St Andrews on 24 October 2014 and signed on its behalf by:

Professor Louise Richardson Principal and Vice-Chancellor

Sir Ewan Brown Senior Governor

Mr Andrew Goor Director of Finance

CONSOLIDATED CASH FLOW STATEMENT
For the year ended 31 July 2014

	Notes	Year ended 31 July 2014 £000	Year ended 31 July 2013 £000
Cash flow from operating activities	20	20,794	19,603
Returns on investments and servicing of finance	21	(2,314)	(2,886)
Capital expenditure and financial investment	22	(10,318)	(3,741)
Management of liquid resources	23	(5,249)	2,943
Increase in cash in period	24	<u><u>2,913</u></u>	<u><u>15,919</u></u>
Reconciliation of net cash flow to movement in net debt			
Increase in cash in period		2,913	15,919
Change in short term deposits	24	<u>5,249</u>	<u>(2,943)</u>
Change in net debt	24	8,162	12,976
Net debt at 1 August		<u>(60,967)</u>	<u>(73,943)</u>
Net debt at 31 July	24	<u><u>(52,805)</u></u>	<u><u>(60,967)</u></u>

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 July 2014

1 FUNDING COUNCIL GRANTS	Year ended 31 July 2014 £000	Year ended 31 July 2013 £000
SFC recurrent teaching grant	16,566	17,701
SFC recurrent research grant	21,541	19,831
Other SFC grants	2,770	2,818
	<u>40,877</u>	<u>40,350</u>
Deferred capital grants released in the year:		
Buildings	17 1,771	1,724
Equipment	17 316	230
	<u>42,964</u>	<u>42,304</u>
2 TUITION FEES AND EDUCATION CONTRACTS	Year ended 31 July 2014 £000	Year ended 31 July 2013 £000
Full-time home and EU students	9,517	9,198
RUK (new fee rates)	8,638	3,964
RUK (old fee rates)	1,829	2,750
Full-time international students	44,829	40,811
Part-time home and EU students	349	304
Part-time international students	113	97
Research training support grants	3,719	3,521
Short course fees	2,302	2,361
Other fees	273	297
	<u>71,569</u>	<u>63,303</u>
3 RESEARCH GRANTS AND CONTRACTS	Year ended 31 July 2014 £000	Year ended 31 July 2013 £000
Research Councils	19,545	20,789
UK government bodies, local and health authorities	4,385	4,327
UK based charities	3,826	4,531
UK industry, commerce and public corporations	938	1,028
EU government bodies	5,705	5,406
EU other	1,487	506
Other overseas	3,708	3,324
Other sources	63	127
	<u>39,657</u>	<u>40,038</u>
Income deferred to match capitalised purchases	17 (2,285)	(2,483)
Release of deferred capital grant for research	17 1,858	1,646
	<u>39,230</u>	<u>39,201</u>

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 July 2014

4 OTHER INCOME		Year ended 31 July 2014 £000	Year ended 31 July 2013 £000
Residence fees		20,792	18,950
Consultancy, knowledge transfer and cultural engagement		2,532	2,809
Conference sales		2,127	2,681
External funding of activities		1,937	1,672
External funding of salaries		1,177	1,203
Miscellaneous sales		1,091	672
Continuing Professional Development		771	1,080
Bar sales		704	691
Academic conferences		666	1,264
Other Income		652	897
Non research prizes and awards		611	106
Released from deferred capital grants	17	582	523
Memberships		512	465
Rent receivable		391	442
Royalty income		390	374
Hire and facilities		310	202
Other services provided		304	20
Subscription income		253	191
Consumables and services recharged		238	222
Gifts and donations		165	517
Foreign exchange gains		86	1,105
		36,291	36,086
5 ENDOWMENT AND INVESTMENT INCOME		Year ended 31 July 2014 £000	Year ended 31 July 2013 £000
Income from permanent endowments	18	1,944	1,372
Income from short-term investments		383	415
Net return on pension scheme	30	1,499	1,217
		3,826	3,004
6 STAFF COSTS		Year ended 31 July 2014 £000	Year ended 31 July 2013 £000
By expense type:			
Salaries		89,322	84,352
Social security costs		6,947	6,633
Other pension costs		12,542	11,621
Total		108,811	102,606
		Year ended 31 July 2014 £000	Year ended 31 July 2013 £000
Staff costs by major category:			
Academic		60,000	55,164
Academic / teaching support services		7,580	7,028
Research		17,137	15,941
Administration		14,836	15,416
Premises		5,085	5,133
Catering and residences		4,173	3,924
		108,811	102,606

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 July 2014

6 STAFF COSTS (Cont'd)	Year ended 31 July 2014	Year ended 31 July 2013
	£000	£000
Emoluments of Principal:		
Salary	225	225
Ex gratia payment	30	-
Benefits in kind	10	5
Pension contributions to USS	36	36
The Principal is not included in the table of higher paid staff below	Year ended 31 July 2014	Year ended 31 July 2013
	Number	Number
Remuneration of higher paid staff, excluding employer's pension contributions		
£70,001 - £80,000	41	45
£80,001 - £90,000	35	36
£90,001 - £100,000	29	26
£100,001- £110,000	17	14
£110,001 - £120,000	7	5
£120,001 - £130,000	3	4
£130,001 - £140,000	-	2
£140,001 - £150,000	-	1
£150,001 - £160,000	1	1
£170,001 - £180,000	-	1
	133	135
	Year ended 31 July 2014	Year ended 31 July 2013
	£000	£000
Aggregate compensation for loss of office paid to former higher paid employees:		
Pension Benefits	72	-
	72	-
	Year ended 31 July 2014	Year ended 31 July 2013
	Number	Number
Average staff numbers by major category:		
Academic	1,048	980
Academic / teaching support services	233	217
Research	385	351
Administration	329	323
Premises	200	195
Catering and residences	232	236
	2,427	2,302
	Year ended 31 July 2014	Year ended 31 July 2013
	£000	£000
7 INTEREST AND OTHER FINANCE COSTS		
Interest paid to endowments	2	16
Loans repayable wholly or partly in more than five years	4,639	4,657
	4,641	4,673

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 July 2014

8 ANALYSIS OF TOTAL EXPENDITURE BY ACTIVITY	Year ended 31 July 2014 £000	Year ended 31 July 2013 £000
Academic Schools	79,681	71,332
Academic support services	14,967	13,783
Central services	16,896	16,423
Premises	18,312	20,633
Research grants and contracts	29,736	29,358
Residences, catering and conferences	14,549	15,221
Other expenses	14,827	14,223
	188,968	180,973

Other operating expenses include:	£000	£000
External auditors remuneration in respect of audit services	82	89
External auditors remuneration in respect of non-audit services	25	5
Internal audit	71	83
Hire of plant and equipment	234	173

9 TANGIBLE FIXED ASSETS

Consolidated Cost	Land & Buildings £000	Assets under Construction £000	Equipment & Furniture £000	Total £000
At 1 August 2013	258,699	8,991	73,981	341,671
Additions	362	15,535	3,863	19,760
Transfers	11,688	(14,092)	2,404	-
Disposals	(1,698)	-	(1,047)	(2,745)
Impairment	-	-	-	-
At 31 July 2014	269,051	10,434	79,201	358,686
Depreciation				
At 1 August 2013	53,105	-	59,531	112,636
Charge for Year	7,454	-	5,907	13,361
Disposals	(1,675)	-	(1,047)	(2,722)
At 31 July 2014	58,884	-	64,391	123,275
Net Book Value				
At 31 July 2014	210,167	10,434	14,810	235,411
At 31 July 2013	205,594	8,991	14,450	229,035
Financed by capital grant	54,232	2,526	4,362	61,120
Other	155,935	7,908	10,448	174,291
Net book value at 31 July 2014	210,167	10,434	14,810	235,411

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 July 2014

9 TANGIBLE FIXED ASSETS (Cont'd)

University Cost	Land & Buildings £000	Assets under Construction £000	Equipment & Furniture £000	Total £000
At 1 August 2013	251,555	8,991	72,941	333,487
Additions	5,705	15,530	3,869	25,104
Transfers	11,683	(14,087)	2,404	-
Disposals	(28)	-	(558)	(586)
Impairment	-	-	-	-
At 31 July 2014	268,915	10,434	78,656	358,005
Depreciation				
At 1 August 2013	51,560	-	58,528	110,088
Charge for Year	7,267	-	5,898	13,165
Disposals	(5)	-	(558)	(563)
At 31 July 2014	58,822	-	63,868	122,690
Net Book Value				
At 31 July 2014	210,093	10,434	14,788	235,315
At 31 July 2013	199,995	8,991	14,413	223,399
Financed by capital grant	54,232	2,526	4,362	61,120
Other	155,861	7,908	10,426	174,195
Net book value at 31 July 2014	210,093	10,434	14,788	235,315

Included within fixed assets is an amount of £3,523,218 (2012/13 - £3,523,218) of capitalised finance costs. Buildings and equipment with a cost of £108.2 million and a net book value of £58.6 million have been financed in part or in whole by Treasury sources. Should these assets be sold the University may have to surrender the relevant proceeds to the Treasury or use them in accordance with the Financial Memorandum with the SFC.

Included in the amounts for Equipment and Furniture above are the following amounts relating to assets acquired under hire purchase contracts:

Consolidated and University

	£000
Cost:	
At 1 August 2013	988
Additions	-
At 31 July 2014	988
Depreciation:	
At 1 August 2013	82
Charge for year	247
At 31 July 2014	329
Net book value at 31 July 2014	659
Net book value at 31 July 2013	906

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 July 2014

10 FIXED ASSET INVESTMENTS

	Subsidiary Companies £000	Other fixed asset investments £000	Total £000
Consolidated			
At 1 August 2013	-	154	154
Disposal	-	(121)	(121)
At 31 July 2014	<u>-</u>	<u>33</u>	<u>33</u>
University			
At 1 August 2013	3,999	154	4,153
Additions	500	-	500
Disposal	(1,104)	(121)	(1,225)
Impairment	(1,200)	-	(1,200)
At 31 July 2014	<u>2,195</u>	<u>33</u>	<u>2,228</u>

SUBSIDIARY COMPANIES

<i>Company</i>	<i>Country of incorporation</i>	<i>Activity</i>
St Andrews University Services Ltd*	Scotland	Vacation letting
University of St Andrews Gateway Ltd*	Scotland	Property development
Saint Sports Services Ltd*	Scotland	Sports Services
St Andrews Applied Research Ltd*	Scotland	Applied Research
University of St Andrews Shop Ltd	Scotland	Retail
Photosynergy Ltd	Scotland	Laser Lighting
SOI Group Ltd	Scotland	Marine Science
SMRU Ltd	Scotland	Marine Science
SOI Ltd	Scotland	Marine Science
St Andrews Instrumentation Ltd	Scotland	Marine Science
SMRU (Hong Kong) Ltd	Hong Kong	Marine Science
SMRU (Canada) Ltd	Canada	Marine Science
SMRU LLC	USA	Marine Science
StAAR Inc	USA	Applied Research

* Owned directly by the University of St Andrews

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 July 2014

11 ENDOWMENT ASSET INVESTMENTS

	As at 31 July 2014	As at 31 July 2013
	£000	£000
Consolidated and University		
Balance as at 1 August	49,896	39,114
Additions	3,676	6,905
Disposals	(741)	(5,966)
Depreciation / Appreciation	(199)	7,443
Debtor movement	(2,939)	(195)
Cash movement	379	2,595
Balance as at 31 July	50,072	49,896
Represented by:		
Fixed Interest Stocks	2,052	1,391
Equities	40,406	38,754
Land and Property	1,324	900
Amounts included within short term deposits	2,319	5,295
Creditors	(105)	(142)
Bank, Building Society and Other Deposits	4,076	3,698
Total Endowment Assets	50,072	49,896

12 STOCKS

	As at 31 July 2014		As at 31 July 2013	
	Consolidated £000	University £000	Consolidated £000	University £000
Stocks of consumables	779	614	794	601

13 DEBTORS

	As at 31 July 2014		As at 31 July 2013	
	Consolidated £000	University £000	Consolidated £000	University £000
Amounts falling due within one year:				
Trade debtors	2,841	2,243	2,552	1,949
Debts due from students	630	630	508	508
Research debt	9,940	9,940	9,921	9,921
Prepayments and accrued income	4,759	4,679	4,419	4,384
Other debtors	78	67	239	193
Amounts due from group undertakings	-	-	-	4,583
	18,248	17,559	17,639	21,538

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 July 2014

14 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	As at 31 July 2014		As at 31 July 2013	
	Consolidated £000	University £000	Consolidated £000	University £000
Payments received in advance	18,212	18,212	18,869	18,869
Research grants received on account	22,474	22,474	17,097	17,097
Trade creditors	6,639	7,159	5,683	5,636
Social security and other taxation payable	2,354	2,157	2,335	2,349
Amounts owed to group undertakings	-	1,495	-	1,580
Accruals and deferred income	11,313	11,130	12,928	12,599
	60,992	62,627	56,912	58,130

15 CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	As at 31 July 2014		As at 31 July 2013	
	Consolidated £000	University £000	Consolidated £000	University £000
Unsecured loan	91,257	91,257	91,257	91,257
Cumulative convertible pref shares	95	-	95	-
	91,352	91,257	91,352	91,257
Analysis of secured and unsecured				
Due between two and five years	1,257	1,257	1,257	1,257
Due in five years or more	90,000	90,000	90,000	90,000
	91,257	91,257	91,257	91,257
Due within one year or on demand	-	-	-	-
Due after more than one year	91,257	91,257	91,257	91,257
Unsecured loans repayable by 2017	1,257	1,257	1,257	1,257
Unsecured loans repayable by 2026	30,000	30,000	30,000	30,000
Unsecured loans repayable by 2048	60,000	60,000	60,000	60,000
	91,257	91,257	91,257	91,257

Included in loans are the following:

	Amount £000	Repayments Commence	Interest Rate
Barclays Bank Plc	30,000	2019	5.34%
Barclays Bank Plc	60,000	2039	5.06%

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 July 2014

16 PROVISIONS FOR LIABILITIES

Consolidated and University	Dilapidations Provision £000	FSSU Unfunded Pension £000	Early Retirement & Restructuring Provision £000	Total £000
At 1 August 2013	100	27	213	340
Utilised in year	-	(5)	(213)	(218)
Transfer from income and expenditure account	50	-	658	708
At 31 July 2014	150	22	658	830

17 DEFERRED CAPITAL GRANTS

Consolidated	SFC £000	Research Grants £000	Other Grants £000	Total £000
As 1 August 2013				
Buildings	39,501	4,762	11,604	55,867
Equipment	875	3,430	585	4,890
Total	40,376	8,192	12,189	60,757
Grants receivable				
Buildings	7,337	-	652	7,989
Equipment	31	2,285	835	3,151
Total	7,368	2,285	1,487	11,140
Transfer in year				
Buildings	(38)	-	38	-
Total	(38)	-	38	-
Released to income and expenditure				
Buildings (notes 1, 3 and 4)	(1,771)	(171)	(358)	(2,300)
Equipment (notes 1, 3 and 4)	(316)	(1,687)	(224)	(2,227)
Total	(2,087)	(1,858)	(582)	(4,527)
At 31 July 2014				
Buildings	45,029	4,591	11,936	61,556
Equipment	590	4,028	1,196	5,814
Total	45,619	8,619	13,132	67,370

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 July 2014

17 DEFERRED CAPITAL GRANTS (Cont'd)	SFC	Research	Other	Total
University	£000	Grants	Grants	£000
As 1 August 2013	£000	£000	£000	£000
Buildings	39,141	4,762	11,604	55,507
Equipment	875	3,430	585	4,890
Total	40,016	8,192	12,189	60,397
Grants receivable				
Buildings	7,672	-	668	8,340
Equipment	31	2,285	835	3,151
Total	7,703	2,285	1,503	11,491
Transfer in year				
Buildings	(38)	-	38	-
Total	(38)	-	38	-
Released to income and expenditure				
Buildings (notes 1, 3 and 4)	(1,762)	(171)	(358)	(2,291)
Equipment (notes 1, 3 and 4)	(316)	(1,687)	(224)	(2,227)
Total	(2,078)	(1,858)	(582)	(4,518)
At 31 July 2014				
Buildings	45,013	4,591	11,952	61,556
Equipment	590	4,028	1,196	5,814
Total	45,603	8,619	13,148	67,370

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 July 2014

18 ENDOWMENTS

Consolidated and University

	Unrestricted Permanent £000	Restricted Permanent £000	Total Permanent £000	Restricted Expendable £000	2014 Total £000	2013 Total £000
Balances at 1 August						
Capital	3,850	41,516	45,366	3,326	48,692	38,054
Accumulated income	-	1,204	1,204	-	1,204	1,060
	3,850	42,720	46,570	3,326	49,896	39,114
Additions / Transfers	344	(466)	(122)	1,198	1,076	4,368
Investment income	159	1,785	1,944	-	1,944	1,372
Expenditure	(159)	(1,035)	(1,194)	(1,451)	(2,645)	(2,401)
	-	750	750	(1,451)	(701)	(1,029)
(Decrease) / Increase in value of investments	(45)	(154)	(199)	-	(199)	7,443
At 31 July	4,149	42,850	46,999	3,073	50,072	49,896
Represented by:						
Capital	4,149	40,896	45,045	4,524	49,569	48,692
Accumulated Income	-	1,954	1,954	(1,451)	503	1,204
	4,149	42,850	46,999	3,073	50,072	49,896
Analysis by type of Purpose	£000	£000	£000	£000	£000	£000
Chairs and Lectureships	-	10,408	10,408	291	10,699	11,165
Academic School/Unit	-	5,653	5,653	1,174	6,827	6,991
Scholarships and Bursaries	-	25,815	25,815	1,466	27,281	26,449
Prizes	-	974	974	52	1,026	1,025
General	4,149	-	4,149	-	4,149	3,850
Other	-	-	-	90	90	416
	4,149	42,850	46,999	3,073	50,072	49,896

Included within endowments are a number of permanent restricted funds with a deficit of accumulated income as at 31 July 2014. These comprise of 32 individual funds with a combined deficit balance of £0.065million (2012/13 - 42 funds with a total combined deficit of £0.133 million). The University closely monitors funds in a deficit position and expects them to return to an accumulated income position over future years.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 July 2014

18 ENDOWMENTS (Cont'd)

Charitable funds that are over 1% of the value of total endowment funds

Name of Fund	At 31 July 2013	New / Additions	Change in market value	Realised appreciation	Exchange Rate Movement	Income	Expenditure	At 31 July 2014
	£000	£000	£000	£000	£000	£000	£000	£000
United College Chairs Fund	6,462	-	(77)	(231)	-	258	(258)	6,154
Lapsed Bursaries Fund	3,866	-	(47)	(141)	-	157	(98)	3,737
General Unrestricted Fund	2,632	-	(31)	(94)	-	110	(110)	2,507
Ransome Scholarships Bequest	1,862	-	-	-	-	147	(147)	1,862
Maitland Ramsay PG Scholarship	1,228	-	(13)	(39)	-	44	(18)	1,202
D. & G. Bonnyman Scholarship	1,205	-	(14)	(43)	-	48	(40)	1,156
PhD Studentships (Anonymous)	1,063	79	(14)	(38)	-	43	(13)	1,120
Prof & Mrs Purdie Bequest	1,005	-	(1)	-	-	28	(6)	1,026
Gifford Bequest	912	-	(10)	(29)	-	32	-	905
Moncrieff Travelling Scholarship	760	-	(9)	(27)	-	30	-	754
John & Aileen Irving Fund	739	-	(9)	(26)	-	29	(2)	731
St Mary's Anniversary Appeal	652	1	(7)	(21)	-	23	(10)	638
600 th Anniversary Endow Fund	613	479	(6)	(22)	-	24	(24)	1,064
Harold Mitchell Fellowship	611	-	(7)	(20)	-	22	-	606
The R&A International Scholarship	602	-	(7)	(22)	-	24	(16)	581
Guthrie Mortification Scholarship	566	-	(7)	(20)	-	22	(43)	518
Ottakar Sykora Scholarship Fund	544	-	(6)	(18)	-	20	(30)	510
Don Scholarship	525	-	(6)	(18)	-	21	(3)	519
Ronald M Smith Trust	492	6	(6)	(17)	-	20	(1)	494
600 th Anniversary Scholarship Fund	375	102	(6)	(13)	-	15	(3)	470
	26,714	667	(283)	(839)	-	1,117	(822)	26,554

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 July 2014

19 MOVEMENT ON RESERVES

	Consolidated £000	University £000
Income and expenditure account		
At 1 August 2013	64,881	65,411
Surplus retained for the year	5,618	3,880
Transfer to pensions liability reserve	(2,101)	(2,101)
At 31 July 2014	68,398	67,190
Pension Reserve	£000	£000
At 1 August 2013	(18,836)	(18,836)
Actuarial loss	(8,689)	(8,689)
Transfer from income and expenditure account	2,101	2,101
At 31 July 2014	(25,424)	(25,424)
Revaluation Reserve:	£000	£000
At 1 August 2013	67	67
Release to income and expenditure in year	(67)	(67)
As at 31 July 2014	-	-

20 RECONCILIATION OF CONSOLIDATED OPERATING SURPLUS TO NET CASH FLOW FROM OPERATING ACTIVITIES

	Year ended 31 July 2014 £000	Year ended 31 July 2013 £000
Surplus after depreciation and disposal of assets	4,917	3,801
Depreciation	13,361	12,077
Deferred capital grants released to income	(4,527)	(4,123)
Deferred grant transferred to endowments	-	(907)
Investment income	(3,826)	(3,004)
Profit on disposal of tangible fixed assets	(5)	(876)
Impairment of tangible fixed assets	-	98
Interest payable	4,641	4,673
Decrease / (Increase) in stocks	15	(110)
Increase in debtors	(609)	(2,088)
Increase in creditors	6,939	10,009
Increase in provisions	490	111
Pension costs less contributions payable	(602)	(58)
Net cash inflow from operating activities	20,794	19,603

21 RETURNS ON INVESTMENTS AND SERVICING OF FINANCE

	Year ended 31 July 2014 £000	Year ended 31 July 2013 £000
Income from endowments	1,944	1,372
Other interest received	383	415
Interest paid	(4,641)	(4,673)
	(2,314)	(2,886)

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 July 2014

22 CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT	Year ended 31 July 2014 £000	Year ended 31 July 2013 £000
Payments made to acquire tangible fixed assets	(19,738)	(14,411)
Proceeds from sale of tangible fixed assets	5	852
Proceeds from sales of fixed asset investments	134	108
Payments to acquire endowment assets	(3,676)	(6,905)
Receipts from sales of endowment asset investments	741	5,966
Deferred capital grants received	11,140	6,281
Endowments received	1,076	4,368
	<u>(10,318)</u>	<u>(3,741)</u>

23 MANAGEMENT OF LIQUID RESOURCES	Year ended 31 July 2014 £000	Year ended 31 July 2013 £000
(Increase) / decrease in short term deposits	(5,249)	2,943
	<u>(5,249)</u>	<u>2,943</u>

24 ANALYSIS OF CHANGE IN NET DEBT	At 1 August 2013 £000	Cash Flows £000	At 31 July 2014 £000
Cash at bank and in hand	19,560	2,535	22,095
Endowment cash	3,698	378	4,076
	<u>23,258</u>	<u>2,913</u>	<u>26,171</u>
Short term investments	7,127	5,249	12,376
Debt due after one year	(91,257)	-	(91,257)
Preference Shares	(95)	-	(95)
Net Debt	<u>(60,967)</u>	<u>8,162</u>	<u>(52,805)</u>

25 CAPITAL AND OTHER COMMITMENTS
Consolidated and University

Provision has not been made for the following capital commitments at 31st July 2014

	As at 31 July 2014		As at 31 July 2013	
	Consolidated £000	University £000	Consolidated £000	University £000
Commitments contracted for	29,851	29,851	13,371	13,371
Authorised but not contracted for	1,382	1,382	676	676
	<u>31,233</u>	<u>31,233</u>	<u>14,047</u>	<u>14,047</u>

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 July 2014

26 LEASE OBLIGATIONS

Amounts due under hire purchase contracts:

Consolidated and University	As at 31 July 2014 £000	As at 31 July 2013 £000
Operating leases which expire:		
Within one year	-	412
In two to five year	-	-
In over five years	-	-
	<u>-</u>	<u>412</u>

Annual commitments under non-cancellable operating leases are as follows:

Consolidated and University	Land and Buildings		Other	
	As at 31 July 2014 £000	As at 31 July 2013 £000	As at 31 July 2014 £000	As at 31 July 2013 £000
Operating leases which expire:				
Within one year	30	27	61	4
In two to five year	49	47	96	137
In over five years	52	52	-	-
	<u>131</u>	<u>126</u>	<u>157</u>	<u>141</u>

27 POST BALANCE SHEET EVENTS

On 1st September 2014 the University received £7.5m as part of a third-party financing arrangement put in place to develop new student accommodation at Fife Park. This will be treated as income for the year ended 31 July 2015.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 July 2014

28 AMOUNTS DISBURSED AS AN AGENT
Consolidated and University

	Year ending 31 July 2014	Year ending 31 July 2013
Discretionary fund		
Income	£000	£000
Excess of income over spend at 1 August	-	1
Funding Council grants	288	338
	<u>288</u>	<u>339</u>
Expenditure		
Disbursed to students	(278)	(337)
Transferred to Childcare Fund	(9)	-
Fund running cost	(1)	(2)
	<u>(288)</u>	<u>(339)</u>
Excess of income over expenditure at 31 July	<u>-</u>	<u>-</u>
	£000	£000
Childcare fund		
Income		
Excess of income over spend at 1 August	-	-
Funding Council grants	18	22
	<u>18</u>	<u>22</u>
Expenditure		
Disbursed to students	(27)	(22)
Transferred from Discretionary Fund	9	-
	<u>(18)</u>	<u>(22)</u>
Excess of income over expenditure at 31 July	<u>-</u>	<u>-</u>

HE bursaries and other student support funds are available solely to assist students: the University acts only as a paying agent. The grants and related disbursements are excluded from the Income and Expenditure Account.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 July 2014

29 DISCLOSURE OF RELATED PARTY TRANSACTIONS

Due to the nature of the University's activities and the composition of Court (being drawn from public and private sector organisations) transactions may take place with organisations in which a member of Court may have an interest. From time to time, as supporters of the University, Court members may make donations of varying amounts to assist the University in achieving its goals. All transactions involving organisations in which a member of Court may have an interest are conducted at arm's length and in accordance with the University's financial regulations and normal procurement procedures.

30 PENSION ARRANGEMENTS

The University contributes to two pension schemes for its staff.

Universities Superannuation Scheme (U.S.S.)

The Universities Superannuation Scheme (USS) is a UK-wide 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 – Universities Superannuation Scheme Ltd.

The appointment of directors to the board of the trustee is determined by the trustee company's Articles of Association. Four of the directors are appointed by Universities UK; three are appointed by the University and College Union, of whom at least one must be a USS pensioner member; and a minimum of three and a maximum of five are independent directors appointed by the board. Under the scheme trust deed and rules, the employer contribution rate is determined by the trustee, acting on actuarial advice.

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

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

To calculate the technical provisions, it was assumed that the valuation rate of interest would be 6.1% per annum, salary increases would be 4.4% annum (with short term general pay growth at 3.65% per annum and an additional allowance for increases in salaries due to age and promotion reflecting the historic scheme experience, with a further cautionary reserve on top for past service liabilities) and pensions would increase by 3.4% per annum for 3 years following the valuation, then 2.6% per annum thereafter.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 July 2014

30 PENSION ARRANGEMENTS (Cont'd)

Standard mortality tables were used as follows:

Male members' mortality	S1NA ["light"] YoB tables – no age rating
Female members' mortality	S1NA ["light"] YoB tables – rated down one 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% pa long term rate were also adopted. The assumed life expectations on retirement at age 65 are:

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

At the valuation date, the value of the assets of the scheme was £32,434 million and the value of the scheme's technical provision was £35,344 million indicating a shortfall of £2,910 million. The assets therefore were sufficient to cover 92% of the benefits which had accrued to members after allowing for expected future increases in earnings.

The actuary also valued the scheme on a number of other bases as at the valuation date. On the scheme's historic gilts basis, using a valuation rate of interest in respect of past service liabilities of 4.4% per annum (the expected return on gilts) the funding level was approximately 68%. Under the Pension Protection Fund regulations introduced by the Pensions Act 2004, the scheme was 93% funded; on a buy-out basis (i.e. assuming the Scheme had discontinued on the valuation date) the assets would have been approximately 57% of the amount necessary to secure all the USS benefits with an insurance company; and using the FRS17 formula as if USS was a single employer scheme, using a AA bond discount rate of 5.5% per annum based on spot yields, the actuary estimated that the funding level at 31 March 2011 was 82%.

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

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

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

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

On the FRS17 basis, using an AA bond discount rate of 4.5% per annum based on spot yields, the actuary estimates that the funding level at 31 March 2014 was 75%. An estimate of the funding level measured on a historic gilts basis at that date was 61%.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 July 2014

30 PENSION ARRANGEMENTS (Cont'd)

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

Assumption	Change in Assumption	Impact on shortfall
Investment Return	Decrease by 0.25%	Increase by £1.6 billion
The gap between RPI and CPI	Decrease by 0.25%	Increase by £1.0 billion
Rate of salary growth	Increase by 0.25%	Increase by £0.6 billion
Members live longer than assumed	1 year longer	Increase by £0.8 billion
Equity markets in isolation	Fall by 25%	Increase by £4.6 billion

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

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

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

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 July 2014

30 PENSION ARRANGEMENTS (Cont'd)

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

New entrants

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

Normal pension age

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

Flexible retirement

Flexible retirement options were introduced

Member contributions increased

Contributions were uplifted to 7.5% p.a. and 6.5% p.a. for FS Section members and CRB section members respectively.

Cost Sharing

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

Pension increase cap

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

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

At 31 March 2014, USS had over 162,000 active members and the University had 1,291 members participating in the scheme.

The total USS pension cost for the University was £9.638 million (2012/13 - £8.863 million). This includes £0.804 million (2012/13 - £0.775 million) of outstanding contributions at the balance sheet date. The contribution rate payable by the University was 16% of pensionable salaries. Employees' regular contributions were £4.403 million (2012/13 - £4.101 million) and £0.447 million (2012/13 £0.452 million) in respect of additional voluntary contributions.

St Andrews University Superannuation & Life Assurance Scheme

This is a defined benefit scheme primarily for the benefit of non-academic University staff. It is externally funded and contracted out. The assets of the scheme are held in a separate trustee administered fund. The University is required to account for the present value of the scheme assets and liabilities on its balance sheet. A full actuarial valuation of the scheme was carried out at 31 July 2012 and updated to 31 July 2014 by a qualified independent actuary. The major assumptions used by the actuary, on the Projected Unit method, were:

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 July 2014

30 PENSION ARRANGEMENTS (Cont'd)

Disclosure of principal assumptions

	Year ended 31 July 2014	Year ended 31 July 2013	Year ended 31 July 2012
Rate of increase in salaries	3.70%	3.75%	3.50%
Rate of increase in benefits accruing prior to 6 April 2006	3.10%	3.25%	2.60%
Rate of increase in benefits accruing from 6 April 2006	2.10%	2.15%	1.90%
Discount Rate	4.30%	4.70%	4.10%
Inflation assumption	3.10%	3.25%	2.50%

The current mortality assumptions include sufficient allowance for future mortality improvements in mortality rates. The assumed life expectancies on retirement at age 65 are:

	As at 31 July 2014	As at 31 July 2013
	Years	Years
Retiring today:		
Males	22.0	21.9
Females	24.3	24.2
Retiring in 20 years:		
Males	23.7	23.6
Females	26.3	26.2
Retiring in 25 years:		
Males	24.3	24.1
Females	26.7	26.6

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

	Long term rate of return expected at 31 July 2014	Value at 31 July 2014 £000	Long term rate of return expected at 31 July 2013	Value at 31 July 2013 £000	Long term rate of return expected at 31 July 2012	Value at 31 July 2012 £000
Equities	7.50%	41,442	7.75%	51,224	8.0%	41,059
Diversified Growth Fund	7.50%	25,782	7.75%	23,406	8.0%	20,283
Multi-Asset Credit Fund	6.00%	11,389	N/A	N/A	N/A	N/A
Other	3.3%	474	3.3%	149	2.7%	123
		<u>79,087</u>		<u>74,779</u>		<u>61,465</u>

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 July 2014

30 PENSION ARRANGEMENTS (Cont'd)

The following amounts were measured in accordance with the requirements of FRS17:

	As at 31 July 2014 £000	As at 31 July 2013 £000
Total fair value of scheme assets	79,087	74,779
Present value of scheme liabilities	<u>(104,511)</u>	<u>(93,615)</u>
Deficit in scheme - Net pension liability	<u>(25,424)</u>	<u>(18,836)</u>
Changes in the fair value of scheme assets		
Opening fair value of scheme assets	74,779	61,465
Expected return	5,821	4,939
Actuarial (losses) / gains	(2,309)	7,691
Contributions by employer	4,125	4,020
Contributions by members	51	41
Benefits paid	<u>(3,380)</u>	<u>(3,377)</u>
Closing fair value of scheme assets	<u>79,087</u>	<u>74,779</u>
Changes in the present value of the defined benefit liabilities		
Opening defined benefit liability	93,615	92,445
Service Cost	3,523	3,962
Employee contributions	51	41
Interest Cost	4,322	3,722
Actuarial losses / (gains)	6,380	(3,178)
Benefits paid	<u>(3,380)</u>	<u>(3,377)</u>
Closing defined benefit liability	<u>104,511</u>	<u>93,615</u>
Amounts charged to income and expenditure account:		
Current service cost	<u>3,523</u>	<u>3,962</u>
Total operating charge	<u>3,523</u>	<u>3,962</u>
Net finance return / (charge) on pension scheme		
Expected return on pension scheme assets	5,821	4,939
Interest on pension scheme liabilities	<u>(4,322)</u>	<u>(3,722)</u>
Net credit to financing cost	<u>1,499</u>	<u>1,217</u>

The estimated contribution to be paid to the scheme for the next accounting period is £3.852 million. The employer's contribution to be paid next year is based on the current members of the scheme as at 31 July 2014.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 July 2014

30 PENSION ARRANGEMENTS (Cont'd)

Amounts recognised in the statement of total recognised gains and losses	Year ended 31 July 2014 £000	Year ended 31 July 2013 £000
(Loss) / gain on scheme assets	(2,309)	7,691
Experience (loss) / gain arising on scheme liabilities	(434)	899
Changes in assumptions underlying the present value of scheme liabilities	(5,946)	2,279
Actuarial (loss) / gain recognised in statement of total recognised gains and losses	(8,689)	10,869

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

	Year ended 31 July 2014 £000	Year ended 31 July 2013 £000
Deficit on scheme at 1 August	(18,836)	(30,980)
<i>Movement in year:</i>		
Current service cost	(3,523)	(3,962)
Contributions	4,125	4,020
Other finance income	1,499	1,217
Actuarial (loss) / gain	(8,689)	10,869
Deficit on scheme at 31 July	(25,424)	(18,836)

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

Year ended 31 July 2014	Year ended 31 July 2013
20.23%	20.23%

	2014	2013	2012	2011	2010
History of experience gains and (losses)					
Difference between the expected and actual return on scheme assets					
Amount (£000)	(2,309)	7,690	(5,645)	3,920	3,850
Percentage of scheme assets	2.9%	10.3%	9.2%	6.5%	7.4%
Experience gains and losses on scheme liabilities					
Amount (£000)	(434)	900	(1,740)	270	1,940
Percentage of the present value of the scheme liabilities	0.4%	1%	1.9%	0.6%	2.6%
Total amount in the statement of total recognised gains and losses					
Amount (£000)	(8,689)	10,869	(11,449)	790	(110)
Percentage of the present value of the scheme liabilities	8.3%	11.6%	12.4%	1.0%	0.2%