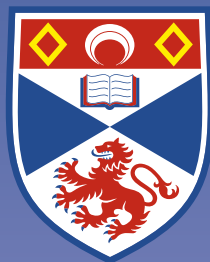


Reports and Financial Statements of the University Court

for the year to 31 July 2019



University of
St Andrews

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Membership of Court and Committees



Membership of the University Court

Members of Court who served during the year to 31 July 2019 and who served up to the date of approval of the reports and financial statements are detailed below. Also shown is the Committees on which the members served, and the court meetings attended during the year. Court meets four times per year.

Status	Member	Membership of Standing Committees & Assurance Groups	Court meetings attended 2018/19
The Rector (President)	Mr Srdja Popovic	-	4/4
Senior Governor (Vice-President)	Dame Anne Pringle	Governance & Nominations Planning & Resources Remuneration	4/4
The Principal & Vice-Chancellor	Professor Sally Mapstone	Governance & Nominations Planning & Resources	4/4
Deputy Chair of Court (new post)	Professor Stuart Monro	Audit & Risk Governance & Nominations Ethics & Research Integrity Assurance Group (observer)	3/4
Master of United College & Deputy Principal	Professor Garry Taylor (until 31 January 2019)	Planning & Resources (in attendance)	2/2
	Professor Lorna Milne (from 1 February 2019)	Planning & Resources (in attendance)	2/2
The Chancellor's Assessor	Mr Adrian Greer	Health & Safety Assurance Group Planning & Resources	4/4
The Rector's Assessor	Ms Camilla Duke	-	3/4
Fife Council Representative	Cllr Jim Leishman (until 5 December 2018)	-	0/1
	Vacant (from 6 December 2018 to 4 April 2019)	-	-
	Cllr Altany Craik (from 5 April 2019)	-	1/1
Assessors of the General Council (2)	Mr Ken Cochran (until 28 June 2019)	Academic Assurance Group Ethics & Research Integrity Assurance Group Audit & Risk	4/4
	Vacant (from 29 June 2019)	-	-
	Mr Nigel Christie	Audit & Risk Investments & Treasury Assurance Group Remuneration	3/4
Assessors of the Senatus Academicus (4)	Professor Frances Andrews (until 31 July 2019)	Planning & Resources	3/4
	Professor Sharon Ashbrook (from 1 August 2019)	Planning & Resources (in attendance until 31 July 2019 and full member from 1 August 2019)	N/A
	Professor Mark Harris	Planning & Resources (in attendance from 1 August 2019)	4/4
	Dr Morven Shearer	-	4/4
	Dr Derek Ball	Governance & Nominations	4/4

Membership of the University Court (cont'd)

Status	Member	Membership of Standing Committees & Assurance Groups	Court meetings attended 2018/19
Non-Academic Staff Member	Ms Donna Pierz-Fennell	Health & Safety Assurance Group Governance & Nominations	4/4
Student Representatives (2)	Ms Paloma Paige (President) (until 30 June 2019)	Governance & Nominations Planning & Resources	4/4
	Mr Jamie Rodney (President) (from 1 July 2019)	Governance & Nominations Planning & Resources	N/A
	Ms Alice Foulis (Director of Education) (until 30 June 2019)	Planning & Resources (in attendance)	3/4
	Ms Amy Bretherton (Director of Education) (from 1 July 2019)	Planning & Resources (in attendance)	N/A
Non-Executive Members (8)	Mr Tim Allan	Planning & Resources	4/4
	Mrs Pamela Chesters (until 5 April 2019)	Audit & Risk	3/3
	Mr Frank MacInnis (from 1 August 2019)	-	N/A
	Mr Kennedy Dalton	Governance & Nominations Remuneration	3/4
	Professor Stuart Monro	See above for Deputy Chair of Court	3/4
	Mr Nigel Morecroft	Investments & Treasury Assurance Group Remuneration	4/4
	Dame Anne Pringle	See above for Senior Governor	4/4
	Ms Eve McCurrich	Planning & Resources	4/4
	Professor Sir David Wallace	Planning & Resources (until 31 July 2019) Remuneration Audit & Risk (from 1 August 2019)	4/4

Membership of Standing Committees

The Committees reporting to the University Court are as follows: Audit & Risk Committee; Governance & Nominations Committee; Planning & Resources Committee and Remuneration Committee. The responsibilities of the following Committees are outlined in the Corporate Governance Statement on pages 17 to 23.

Audit & Risk Committee	Member	Meetings attended 2018/19
Non-Executive Members of Court	Mrs Pamela Chesters (convener until 5 April 2019)	4/4
	Professor Stuart Monro (until 26 September 2019) Interim convener (from 6 April 2019 until 31 July 2019)	4/5
	Professor Sir David Wallace (convener from 1 August 2019)	N/A
	Frank MacInnis (from 27 September 2019)	N/A
Assessors of the General Council	Mr Nigel Christie	4/5
	Mr Ken Cochran (until 28 June 2019)	5/5
Co-opted External Members	Mr Jim Lindsay (until 31 July 2019)	5/5
	Ms Lynn Brown	4/5
	Ms Nicola Catterall (from 27 September 2019 subject to court approval)	N/A
	Ms Jane Pearce (from 27 September 2019 subject to court approval)	N/A

Governance & Nominations Committee	Member	Meetings attended (including 2 extra-ordinary meetings) 2018/19
External Convener	Professor Stuart Monro	5/5
<i>ex officio members</i>		
Senior Governor	Dame Anne Pringle	5/5
Principal	Professor Sally Mapstone	5/5
President of the Students' Association	Ms Paloma Paige (until 30 June 2019) Mr Jamie Rodney (from 1 July 2019)	5/5 N/A
Non-Executive Members of Court	Mr Kennedy Dalton	3/5
	Professor Stuart Monro	5/5
Assessor of the Senatus Academicus	Dr Derek Ball	5/5
Non-Academic Staff Member	Ms Donna Pierz-Fennell	5/5

Membership of Standing Committees (cont'd)

Planning and Resources Committee	Member	Meetings attended 2018/19
<i>ex officio members</i>		
Senior Governor (Convenor)	Dame Anne Pringle	4/4
Principal	Professor Sally Mapstone	4/4
Quaestor & Factor	Mr Derek Watson	4/4
President of the Students' Association	Ms Paloma Paige (until 30 June 2019)	4/4
	Mr Jamie Rodney (from 1 July 2019)	N/A
Non-Executive Members of Court	Mr Tim Allan	3/4
	Ms Eve McCurrich	3/4
	Professor Sir David Wallace (until 31 July 2019)	3/4
	Professor Stuart Monro (from 27 September 2019)	N/A
Lay Member (The Chancellor's Assessor)	Mr Adrian Greer	4/4
Assessor of the Senatus Academicus	Professor Frances Andrews (until 31 July 2019)	4/4
	Professor Sharon Ashbrook (from 1 August 2019)	N/A
Remuneration Committee	Member	Meetings attended 2018/19
<i>ex officio</i>		
Senior Governor	Dame Anne Pringle	2/2
Non-Executive Members of Court	Mr Nigel Morecroft (Convener)	2/2
	Mr Kennedy Dalton	1/2
	Professor Sir David Wallace	2/2
Co-opted External Member	Ms Lynne Dalgarno	2/2
Assessor of the General Council	Mr Nigel Christie	2/2

Members noted with "N/A" were appointed recently and in a period where meetings have not yet been held.

Strategic report



Preparation of the financial statements

The financial statements for the year to 31 July 2019 have been prepared in accordance with the Statement of Recommended Practice: Accounting for Further and Higher Education (SORP) and the Scottish Funding Council's (SFC) annual Accounts Direction.

As noted in the statement of principal accounting policies on page 29, the financial statements have been prepared on a historical cost basis as modified to include investments and financial instruments at their market value.

Results for the year

Overview

Total income increased by 2.2% to £257.4million and the loss for the year before other gains and losses was £27.3million (£23.5million surplus in 2017/18). The loss includes three material non-recurring items including pension charges of £43.4million offset by £5.4million of capital donations including £4.5million received towards the construction of a new Music Centre and a £2.0million one-off historic VAT claim. Adjusting for these significant one-off items and excluding £6.2million of new endowments – which are invested rather than being available to spend – the underlying operating surplus of £2.5million falls short of the amount targeted by the University in order to meet its strategic objectives, but above the level planned for at the start of the year.

Gains on investments and investment property of £5.5million, additional actuarial pension adjustments of £13.0million and £0.4million of losses on asset disposals (mainly as a result of the BMS fire – see below), results in a total comprehensive loss for the year of £35.3million. This includes a total pension accounting adjustment of £56.4million (being £43.4million included in staff costs and £13.0million of actuarial losses).

The financial plan for 2018/19 included recurring efficiency savings of £4.0million for the year with £4.0million required in 2019/20 and £5.0million in 2020/21. Around £3.6million was achieved in the current year. Management are focussed on achieving the revised savings targets required in future years to ensure long-term financial sustainability.

Significant event

In February 2019 the University's Biomolecular Science Research Building (BMS building) on the North Haugh was badly damaged by a major fire. This has had a devastating and lasting impact on the research activities of our academic colleagues affected. A complex and extensive recovery operation is still ongoing and the building itself is expected to be out of commission for a further eighteen months. The construction of fully equipped temporary laboratories for the School of Biology – due to be opened

in October 2019 – will allow some research activities to restart before the end of the year. Further works will take place through to early 2020 to restore more capacity for the School of Chemistry. We expect all restoration costs to be covered by the University's insurance policies and there is, therefore, no net impact on the total comprehensive income for the year.

Costs of £5.8million have been incurred to date. £1.1million of this relates to the construction of temporary laboratories and has therefore been capitalised as assets under construction, £4.4million of the costs are contained within operating expenditure with a further £0.3million noted as losses on disposal of fixed assets. £3.0million has been received to date from the insurance company with £2.8million accrued as receivable. £1.1million of the income was then deferred into creditors and will be released when the related performance conditions are met i.e. the buildings are brought into use.

Income

Tuition fee income rose by 4.4% to £104.6million, reflecting growth in income from overseas undergraduates and postgraduates. Application levels from overseas students continue to grow year on year and whilst the University continues to be very successful in attracting high quality overseas students, the competition to attract these students is increasing. In response to this, the University's strategy is to maintain its excellent standards and reputation for world leading research-led teaching in order to attract the very best students from around the world.

Funding body grants totalled £39.0million – an increase of £0.8million (2.0%). This represents a static grant settlement and this failure to keep track with inflation pressures increases reliance on income growth from other sources, as well as the pressure to reduce expenditure.

Excluding a one-off capital grant of £3.0million towards the Scottish Oceans Institute received in 2017/18, research income increased by 2.8% from £38.5million to £39.4million in 2018/19. Research activity has been and will continue to be affected by the BMS fire in the short to medium term with submitted applications inevitably down significantly in 2018/19. This is likely to impact research activity and income in future years.

Other income has increased by £9.7million (18.7%) to £61.4m from last year's figure of £51.7million. £4.6million of this increase relates to insurance compensation relating to the BMS fire costs incurred, with higher capital donations and increased income from residences also contributing to the upturn. Capital donations of £4.5million were received towards the new custom-designed Laidlaw Music Centre which is currently under construction and due to open in early 2020.

Investment income, derived mainly from the University's endowment fund, helps to support scholarships across the University, along with supporting

widening access initiatives and providing help with accommodation costs through student bursaries. This income increased by 36% to £3.7million.

Donations and endowments in year have increased by £5.2million to a total of £9.3million. £6.2million relates to new permanent endowments with £3.1million being expendable donations. A £5.0million permanent endowment was received in July 2019 from the Bobby Jones Trust and this will be invested in line with the University's Sustainable Investment Policy early in the new financial year under the direction of the Investment & Treasury Assurance Group. Non-endowed donations show a small but consistent upward trend reflecting the belief of friends and supporters in what we do, and our plans for the future.

Expenditure

Staff costs have increased by £53.1million to £178.2million representing an increase of 42.5%. This includes a £39.3million increase in the USS pension deficit provision and a £2.7million (2017/18- £1.1million) charge to reflect the service costs of the local defined benefit pension scheme (S&LAS). The increase in the USS pension deficit reflects the increased contributions set out in the agreed 2017 valuation and recovery plan. A 2018 valuation is in the process of being finalised and this is likely to have a significant effect on this same provision next year. Further details can be found in note 29 and in the 'Principal risks and uncertainties' section. The S&LAS charge includes an additional £1.6million this year which is estimated to be cost of equalising Guaranteed Minimum Pensions (GMP) for men and women. It is unlikely that the actual costs of the GMP adjustment will be known until the end of 2020.

Excluding pension accounting adjustments, the underlying staff costs have increased by £9.9million (7.9%) to £136.2million and included within this increase is £0.6million of staff costs incurred as a direct result of the BMS fire. These costs are covered by insurance compensation. Whilst there has been some planned growth in both academic and professional service workforce, the level of inflationary pay growth far exceeds the funding support available from government regulated sources and management are focussed on delivering efficiencies and income growth to support a financially sustainable future. Staffing levels are reviewed monthly by the Workforce Planning Group to support this aim whilst ensuring the quality of our teaching and research remains.

Other operating expenses of £87.3million includes £3.6million of costs directly related to the BMS fire. Excluding this exceptional item, underlying other operating expenditure decreased by £1.1million (1.3%) which helped contribute towards the University's planned efficiency savings. One-off VAT reclaims and lower spending on strategic estates projects are the main drivers

of the savings and further cost reductions are expected to be realised in future years.

Depreciation increased by £0.8million to £13.7million for the year, reflecting increased capital investment in line with the University's plans.

Interest and other finance costs have decreased slightly from £5.6million to £5.4million. £4.1million is interest payable on long-term debt and is unchanged from the prior year with the balance of £1.3million being the net finance charge related to the increased pension provisions.

Non-operational income and spend

A strong stock market performance saw net investment values increase by £5.1million in the year, showing continued strong performance through positive fund manager performance whilst markets remain buoyant. The University changed its strategic asset allocation strategy late last year, reducing the equity weighting and moving into alternative and less volatile asset classes, including property. This model has proved successful, benefitting from the continued market growth during the year whilst still de-risking the portfolio. Investment properties were revalued at 31 July 2019 resulting in an increase of £0.4m.

Actuarial losses relating to the S&LAS pension scheme contributed a further £13.0million of costs, with decreases in discount rates and increases in inflation the main reasons for the increased losses.

Balance Sheet

Net assets decreased by £35.3million to £301.1million due mainly to the £56.4million increases in the overall pension provisions noted above. The increase in pension provisions, together with decrease in net current assets was partly offset by increased capital investment and endowment fund appreciation.

The University continues to invest heavily in the estate via its strategic capital investment plan, with around £41.0million of capital additions in the year. Much of the spend was around improving facilities for students – particularly in residences and music, enhancing the marine research facilities and aquarium down at the East Sands and the creation of a dedicated professional services building at Eden Campus. This will improve cross departmental working and provide operating efficiency opportunities in the delivery of their services. The relocation of professional services to Eden Campus, planned for early 2020, will free up much needed town centre space and help facilitate growth in student numbers as per the University Strategy. This growth is essential to underpin the future financial sustainability plan of the University. We are very grateful for support from friends of the University who continue to show faith in our ambitious plans by offering support for our capital investment plans.

Our longer-term investments – primarily endowments invested in sustainable and socially responsible funds – increased in value by around £7.4million in the year due mainly to a combination of new donations, investment income and favourable market conditions, captured by our fund managers.

Cash and short-term investment balances increased by £3.5million despite increased capital spend of £9.3million and a £1.5million capital repayment towards long-term loans. However, this is due mainly to timing with £5.0million of the cash balance being the Bobby Jones Trust endowment (which will be invested with our fund managers early in the new financial year), €3.8million of advanced EU grant funds awaiting redistribution to research partners and increases in advance tuition fee receipts relating to the 2019/20 academic year.

Key Performance Indicators

The University measures its performance against a number of Key Performance Indicators (KPI's) that are reported within six main headings being: Research; Learning, Teaching and Student Experience; Financial Stability; Staff; Infrastructure; and Reputation. Performance against target for each of the KPIs is reported via the Planning and Resources Committee to Court on a quarterly basis using a Red, Amber, Green (RAG) system which allows Court members to focus on areas of concern. A summary of the main conclusions is set out below.

Research

The external context and operating environment remain challenging however research income is up 2.9% compared to the previous 3-year average which is extremely positive, especially when taking the BMS fire into account. The longer-term impact of the BMS fire on our overall research income has yet to be fully realised but should be mitigated somewhat in the short-term by an increase in award values, which are up 18% on the 3-year average. Preparations for REF 2021 are proceeding as planned with no major concerns at this stage.

Learning, teaching and student experience

The indicators continue to confirm the University's generally excellent performance levels with St Andrews being the UK's top mainstream University and overall student satisfaction levels of 95% (up from 94% in 2018). This contributed significantly to the University achieving its highest ever ranking in the 2020 Guardian University Guide.

Financial Stability

The current situation is presenting as 'challenging but stable' with the indicative 'managed' operating surplus calculated at 3.9% of income. Whilst this was significantly higher than the forecast breakeven position, it has been

influenced by a number of non-recurring gains as per the longer-term financial plan, financial sustainability is dependent on making further recurring savings over the coming three years. Management will continue to work tirelessly with all Schools and Units to ensure efficiencies and additional income growth can be delivered in securing the long-term financial sustainability of the University.

Staff

Staffing indicators are generally positive with three schools obtained Athena SWAN silver awards to add to the nine schools already holding bronze awards. RIDDOR reportable accidents decreased in the year, which is a pleasing result. Work will continue to address the current gender imbalance amongst senior staff, particularly in the academic cohort.

Infrastructure

Backlog maintenance has reduced slightly in the year but is still higher than target, despite increased spend on repairs and maintenance in the year. Utility spend as a proportion of income has moved from 'red' to 'amber' with reduced consumption and carbon permit costs offsetting price increases. Carbon emissions continue to fall year on year in line with the University's long-term energy strategy.

Reputation and achievements

The University of St Andrews, as Scotland's first university, stands for research and teaching of the highest quality and the pursuit of knowledge for the common good. Our fundamental goal is to attract and nurture the best staff and the most promising students to Scotland from around the world and provide an environment in which they can produce their best work for maximum societal benefit.

It was a very successful year for the University with improvements in domestic league table rankings, as well as higher rankings in both the academic and employer reputation sections of the QS World University league tables. The University achieving its highest ever ranking in the 2020 Guardian University Guide, placed second in the United Kingdom and overturning the Oxbridge hegemony for the first time in two decades.

St Andrews is one of three Scottish universities ranked in the World Top 100, and we continue to secure top 5 placings in the UK domestic rankings. Our student academic experience, already recognised by a Gold TEF award, was ranked top in the UK again this year and we continue to punch above our weight on the world stage, attracting highly skilled students and staff from over 140 countries to Scotland.

On 7 June 2019 the Guardian University Guide 2020 was published and confirmed that St Andrews achieved

its highest-ever rank in any comprehensive league, placing us in second place with Cambridge securing the top spot. Oxbridge has always previously monopolised the top two positions in this league table.

The National Student Survey 2019 results were published on 27 July 2019. St Andrews was the UK's top mainstream university. This is the eleventh time in the past 13 years that we have been amongst the very top performing institutions. We are ranked top in twelve subject areas and an additional 13 subjects are ranked in the top 10. This exceptionally positive feedback from our student community confirms our commitment to the very highest standards of learning, teaching and student experience.

On the international stage, in addition to our top 100 placing in the QS World Rankings 2019, we also continue to rank within the top 100 institutions worldwide for the top 1% most frequently cited publications in the CWTS Leiden Rankings 2019. Emphasising our ability to connect and collaborate on a global scale, we ranked 21 worldwide for the proportion of research publications involving co-authors from overseas institutions and 69.7% of our publications included overseas co-authors.

In addition, last year our students' charities campaign raised £87,000, with Save the Children, the Scottish Refugee Council, and Families First all benefitting from the proceeds. In recognising this tremendous effort, our students were nominated for the National Student Fundraising Group of the Year for 2018.

As a Scottish university, we are proud to be a substantial contributor to the economic, intellectual, cultural, and social wealth of our country; we recognise the benefits derived from being part of Scotland's knowledge and innovation economy and embrace our role in forging Scotland's future.

Based on the latest Economic Impact Assessment (published in 2018), for every £1 of public money received from the Scottish Funding Council, the University was able to leverage almost another £5 from other sources and have a positive return of £12 on the economy overall. For every person employed directly by the University, almost 3 further Scottish jobs were supported. The economic impact of the University on the Scottish economy increased by over £50million between 2014/15 and 2016/17, an increase of 12%.

Principal risks and uncertainties

In pursuing its key strategic aims and objectives to achieve excellence in world leading, diverse, global and entrepreneurial St Andrews, the University will inevitably undertake activities which incur a level of risk. The way in which these risks are managed, through an effective risk management function is fundamental to our success. Effective risk management will both reduce the likelihood that risks are realised, and their impact in the event that they are. The management of risk at the University of

St Andrews is undertaken by the Risk Management Group who report through the Audit and Risk Committee. The Risk Management Group is part of the wider institutional corporate governance structure and more information can be found on page 18.

The planned operating surplus of the University for 2019/20 has been revised downwards from the break-even position previously estimated, to a forecast deficit of £5.3million. This is as a result of the University facing a period where cost inflation is forecast to outstrip income inflation. In addition the University is increasing investment in estates maintenance by £3.0million a year for three years. This decision recognises the importance that the University places on delivering facilities to the highest standards in support of research and teaching excellence. The savings targets set within the 2018/19 financial plan for 2019/20 and 2020/21 were revised downwards to a more achievable £2.0million in 2019/20 and a further £2.0million in 2020/21 (year 2) from staff costs, alongside a recurring £1.0million from University operations in 2019/20. The revised level of projected savings has also contributed to the planned deficit, rather than a break-even position going forward. The delivery of a managed operating surplus is very challenging when we receive no inflationary support from Government or RUK student fees, coupled with a period of stagnant growth in the University's student body and increasing external cost pressures. Whilst we will continue to take positive action to increase our income and further reduce our costs, there are several specific areas of risk which must be taken into account in the coming years:

Risk	Risk Rating	Increasing/ Decreasing
Brexit (27)	■ ■ ■ ■ ■ ■	Increasing

Brexit will undoubtedly impact the University's operations, but how and to what extent is still unknown. University management are monitoring the situation closely and continue to consider how to mitigate potential risks to the University, for both research and teaching. A Brexit Preparedness Group, chaired by the Vice-Principal for International Strategy and External Relations, meets regularly to ensure that across the University all areas are taking action and recording potential areas of risk or concern. They also model scenarios which might impact, inter-alia fees, funding, research bids and immigration statuses, and consider changes which may be required to ensure continued smooth running of our operations. Much will depend on decisions taken at UK and Scottish Government level. There is currently no clarity on Brexit, or its impact on the status of EU students or staff, or accessibility of EU research grant funding. Both of these are of significant importance to the University.

Risk	Risk Rating	Increasing/ Decreasing
USS Pension (418)	■ ■ ■ □ □ □	Stable

There is a risk of both a significant financial impact on the costs of the University, as well as for individual members of staff, with the potential for further industrial relations challenges if changes to the scheme, whether that be contribution levels and/or to the benefits package, cannot be agreed by employers, employees and ultimately the USS Trustees and Pension Regulator. In addition, the ongoing issues relating to the valuation of the USS pension scheme will continue to cause significant fluctuations in the reported financial position of the University. The 2018 valuation and associated schedule of contributions was agreed with the USS trustees on 12 September 2019. It will increase employer deficit recovery plan contributions from 5% to 6% and reduce the repayment period from fourteen to ten years resulting in an estimated £26.0million credit to the income and expenditure account in 2019/20. This will effectively reverse the increased provision set aside this year and, due to the size and effect on the reported results, has been disclosed as a post balance sheet event (note 29).

Being part of a multi-employer scheme makes the ability to directly influence negotiations challenging. However the University is maintaining ongoing communication with staff, as well as sending in considered responses to the Joint Expert Panel, throughout this period of uncertainty.

Risk	Risk Rating	Increasing/ Decreasing
Growth of students (415)	■ ■ ■ □ □ □	Stable

The University's longer-term financial strategy depends on growth in student numbers, along with managing costs and generating income from alternative sources. With Scottish and EU places currently restricted by the Scottish Government, this growth must come from RUK and/or overseas students. Increased competition means that applications and student numbers from these cohorts of students may not be maintained. The University will seek to mitigate this risk by continuing with its commitment to excellence in teaching and research, as well as ensuring student satisfaction remains at the highest levels. In addition, we will continue the search to identify the brightest minds from areas where we have not previously seen much traction, along with building strategic partnerships with renowned institutions across the world. Any further changes to UK or Scottish Government policy affecting either immigration or fee status of students will be carefully reviewed and reflected in the strategy of the University.

Risk	Risk Rating	Increasing/ Decreasing
Student fees (23)	■ ■ ■ □ □ □	Stable

The Scottish Funding Council have not indicated their approach to the funding currently supporting EU students and could look to recoup this as part of a reduced teaching grant going forwards. This is worth approximately £90m across the Scottish HE sector. They may continue to make further cuts to teaching, research and capital grants as part of the Scottish Government Spending Review without reducing demands for student places.

The Augar post-18 review of education, being driven by the UK Government, may reduce the RUK tuition fee. It is not known if this reduction would be matched by a Government subsidy to ensure no overall loss in the sector. It is not clear if this would then lead to a cap being re-imposed on places to limit UK Government exposure to increasing funding requirements and whether any consequential of these decisions would be passed seamlessly through to Scotland.

The University will continue to seek diversified income streams in order to reduce reliance on government funding, as well as striving to ensure it is efficient and effective in all that it does.

Risk	Risk Rating	Increasing/ Decreasing
Research Students (107)	■ ■ ■ ■ □ □	Increasing

The University plans to reinvigorate and refresh postgraduate taught programmes across the University as part of the student and income growth strategy. There is a potential that this is not followed through resulting in planned modest growth not being sustained or achieved. The University continues to encourage schools to generate postgraduate taught surplus which can be used to fund PhD students.

The Research Excellence Board monitors performance of this.

Risk	Risk Rating	Increasing/ Decreasing
Staff Costs (417)	■ ■ ■ ■ □ □	Increasing

The University has set out specific cost saving targets to ensure its recurring financial sustainability is met along with a growth in student numbers. The work to review working practices across the University may not achieve the desired outcome with a potential impact on delivering expectations on cost management. There is also a risk that inflationary pressures increase beyond that forecast due to macro-economic factors.

Control of overall staffing numbers is monitored and controlled through the Workforce Planning Group.

Risk	Risk Rating	Increasing/ Decreasing
Research Income (20)	■ ■ ■ ■ ■ □	Increasing

The forecast modest growth in research grant awards may not be achieved, thereby impacting on our income levels, the contribution towards overheads and ultimately the operating surplus of the University. Brexit in particular could hamper the achievement of, and involvement in, EU funded research. The University will continue to encourage our academics to apply for research grants irrespective of funding source as we believe it is right to encourage our commitment to research on a global platform. Research and Innovation support was re-engineered in 2017 and preparations for REF 2021 are underway. By developing Research Impact, we expect to increase likelihood of successful grant applications. Beyond orthodox performance management controls, the University is striving for greater dynamism through emerging initiatives on targeted areas and a particular focus on research within the University strategy.

Risk	Risk Rating	Increasing/ Decreasing
Industrial Action (29)	■ ■ ■ ■ □ □	Increasing

Pay negotiations, which are carried out at a UK level, may continue to cause financial pressure due to unions seeking increased pay awards against the ability of the HE sector to meet their pay demands. The University will aim to manage any additional growth in costs by seeking to enhance its efficiency and productivity without compromising on quality and student experience.

Looking forward

The £22.2million deficit for 2018/19 has been driven by pension adjustments. The underlying surplus of £2.5million is below the target required to maintain a financially sustainable future, although above the level planned for the year. The USS pension scheme is likely to continue to be a source of volatility in forthcoming years with the recent conclusion of the 2018 valuation and

recovery plan unlikely to be the end point in the journey in delivering a financially sustainable scheme.

This notwithstanding, there are ambitious capital investment plans, including improving the facilities and working environment for Professional Services Staff; refurbishing the Younger Hall which will also create a large town centre lecture theatre and enhanced facilities for ceremonies/conferences; re-utilising space made available by Professional Services staff into enhanced space and facilities for students and staff and growing the estate at the North Haugh to meet future student growth needs.

Future capital planning will take into account the consequences of the BMS fire and the subsequent rehousing of researchers into modular buildings. Whilst this unforeseen and unfortunate incident has resulted in significant disruption to operations, it – along with the recently concluded land-exchange deal with Fife Council allowing them to build a much needed new secondary school – has presented an excellent opportunity to review our strategic capital plans for expansion in the North Haugh and Town Centre areas of the campus allowing us to ensure our estate matches the ambitions of our strategic vision. Embarking on such a major capital investment to facilitate future growth, whilst set against a backdrop of a constrained Scottish Government funding regime, a cap on RUK fees and the upward pressure on staff costs all puts additional emphasis on finding alternative income sources and managing our expenditure within the resources available to us. We are committed to managing pay costs, realising efficiency savings and increasing teaching and research income to safeguard longer-term financial sustainability.

The 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.

Andy Goor
Chief Financial Officer
25 October 2019

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.
- 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 and cashflows.
- 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.
- An Audit & Risk Committee whose terms of reference are summarised on page 20.
- Comprehensive Financial Regulations, detailing financial controls approved by Court on the recommendation of the Audit & Risk 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.

Corporate governance



Introduction

The University is committed to best practice in all aspects of corporate governance. The University bases its approach and standards on the revised Scottish Code of Good HE Governance, but also takes account of good practice guidance elsewhere, including the UK Committee of University Chairs Higher Education Code of Governance, and the CUC guidance on Remuneration Committees published in 2018.

Compliance with relevant legislation

The University reports regularly on compliance with relevant legislation and regulation to its Audit & Risk Committee and Remuneration Committee, in particular where significant changes to the legislative environment occur. The University is compliant with the requirements of the Trade Union (Facility Time Publications Requirements) Regulations 2017. Data on facility time is submitted on an annual basis to the relevant government website and is published on the gov.uk website (www.gov.uk/government/statistical-data-sets/public-sector-trade-union-facility-time-data). In addition, the information is published on the University's Trade Union representatives page (www.st-andrews.ac.uk/staff/wellbeing/community/support/tradeunionrepresentatives).

Compliance with the Scottish Code of Good Governance

In the opinion of Court, the University complies with all the principles and provisions of the 2017 Scottish Code of Good Higher Education Governance.

The University is on track to comply with the full implementation of the requirements of the HE Governance (Scotland) Act 2016. The complex ordinance changes required to enlarge Court and reform Senate to meet the statutory requirements on membership have been approved by Her Majesty in Council and will come into effect from the beginning of the 2020/21 academic year. The election of the Senior Lay Member is due to take place in November 2019 and the incumbent will take up the post on 1 August 2020.

The membership of Court represents a balance of representation from students, staff and lay membership, with the lay members providing important non-executive skills and support. A skills register supports the competitive skills-based recruitment process used for non-executive appointments to Court to identify and target the skills and experience necessary to maintain Court as a coherent and effectively functioning governing body. Particular attention is paid to encouraging diversity in applications for Court positions, both elected and appointed.

To avoid diminishing the breadth of staff and student representation as a result of the HE Governance (Scotland)

Act, Court will expand in size from 23 to 26 members from 2020/21 with the appointment of the Senior Lay Member and two nominees from recognised Trade Unions.

Under recently approved ordinance changes, the two lay members representing the General Council (the body of alumni and senior academics) will in future be appointed through the same skills-based assessment process as is used for other co-opted non-executive members, rather than, as previously, by election.

As reported in the 2017/18 statement, the University is adopting the "comply or explain" approach in relation to the Code's recommendation that the membership of the nominations committee should have a lay member majority.¹ From 2018 the Governance and Nominations Committee has had two elected staff members, representing both academic and non-academic staff rather than the minimum of one stipulated in the Code. (Other members include the Senior Governor, Principal, a student member of Court and two lay members of Court, one of whom is Convener). Court considers that this is consistent with Main Principle 7 of the Code, which states that the nominations committee must have "a suitably inclusive membership to oversee the appointment of new members to the governing body".

Risk Management and Internal Control

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

The internal control environment includes delegated authorities, policies, procedural and system controls, planning and budgetary processes, professional capability in specialist areas, governance structures and management reporting. A Scheme of Delegation is reviewed by the Audit & Risk Committee, and approved by Court each year. The current Scheme of Delegation was reviewed in June 2019.

The senior management team receives regular reports on the University's performance including appropriate performance indicators and considers any control issues brought to its attention by early warning mechanisms embedded within the operational units and reinforced by risk awareness training. The anticipation, consideration and management of risk is an integral part of the planning process for operational units and schools. The senior management team regularly considers strategic risks to the University and the controls and actions in place to mitigate these. The senior management team

¹ This Code recommendation is at the lowest category of requirement, "should" in the Code which recognises "that there may be situations in which a departure can be justified or it would be reasonable and acceptable to meet the principles of good governance in alternative ways".

and the Audit & Risk Committee receive regular reports from Internal Audit which include recommendations for improvement.

Court's confirmation of the effectiveness of the system of internal control has also been informed by the following:

- The Internal Audit annual report 2018/19 presented to Audit & Risk Committee on the adequacy and effectiveness of systems of internal control including governance and risk management;
- Quarterly reports on risk management provided to the Audit & Risk Committee and notified to Court;
- An annual report on risk management presented to the Audit & Risk Committee and notified to Court;
- Comments made by the external auditors in their report to the Audit & Risk Committee;
- The work of managers within the institution who have responsibility for the development and maintenance of the internal control framework.

Court considers, on the recommendation of the Audit & Risk Committee, that a risk management process, compliant with the UK Corporate Governance Code, in so far as its provisions apply to the higher education sector, has been in place throughout the year ended 31 July 2019.

Governance structures

Court is the governing body of the University, and derives its authority from Acts of Parliament. These, *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. The Statement of Primary Responsibilities can be found in section 2.3 of the Court Handbook. www.st-andrews.ac.uk/assets/university/about/documents/governance/court/university-court-handbook.pdf

The University Strategy 2018-23 was approved by Court in October 2018, and a series of enabling strategies are being developed under the auspices of the Planning and Resources Committee. Court monitors an agreed suite of Key Performance Indicators at each meeting. www.st-andrews.ac.uk/about/governance/university-strategy/

Court is responsible for the University's system of internal control and for reviewing its effectiveness. The 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.

Responsibility for the monitoring of risk lies with the Audit and Risk Committee on behalf of Court. The University's Risk Management Group is chaired by the Vice-Principal (Governance) and contains representatives

of all key University activities. This Group has responsibility for embedding risk management in all decision-making processes of the University, to ensure that the exposure to risk is continually monitored, and corrective action taken where necessary. Risk management is discussed at each meeting of the Audit and Risk Committee, and a report is provided on key "escalated" risks to each meeting of Court.

Court had five regularly scheduled meetings during the year ended 31 July 2019, one of which was a strategic away day. The overall attendance rate was 92%.² Court has a number of committees with particular areas of responsibility. Court also operates an assurance scheme whereby areas of responsibility are governed by a number of Assurance Groups, each of which includes one or more independent members of Court, with a reporting line to a Court Committee.

The President of Court is the Rector, one of the oldest institutions of University governance, who since 1858 has been elected by the entire student body to serve for a three-year period. Court currently elects from amongst its lay members a Senior Governor, who presides over Court in the Rector's absence. Under an agreed protocol, the Senior Governor undertakes the broader responsibilities of a Chair of Court, including the annual appraisal of the Principal and chairing those items of Court concerned with policy, resources, accountability and performance review. Preparations are in hand for the election, in autumn 2019, of the Senior Lay Member required by the HE Governance (Scotland) 2016 Act. The successful candidate will take up office at the beginning of the 2020/21 academic year and will largely take on the functions of the current position of Senior Governor. The existing protocol defining the relationship between the Rector and Senior Governor will be adapted to cover this new relationship.

The Court Committees and related Assurance Groups are:

Committee	Assurance Group
Audit & Risk Committee	Academic Health & Safety Ethics and Research Integrity
Governance & Nominations Committee	-
Planning & Resources Committee	Investment & Treasury
Remuneration Committee	-

All of the Committees are constituted with formal terms of reference, outlined in the Court Members' Handbook available at: www.st-andrews.ac.uk/assets/university/about/documents/governance/court/university-court-handbook.pdf

² Attendance percentages do not include vacancies

Membership of committees is disclosed on pages 3-7. 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 Court.

The **Audit & Risk Committee** consists of independent members of Court, supplemented by additional co-opted external non-executive members to assist it in its role. The Committee held five scheduled meetings in the year ending 31 July 2019. All meetings were quorate and the overall attendance rate was 89%. The Committee is responsible for reviewing the adequacy and effectiveness of the University's assessment of top-down strategic risks, risk management, internal control, financial governance, the annual financial statements and value for money arrangements. As such, it scrutinises the audit of the University's annual financial statements and keeps under review the effectiveness of the University's corporate governance arrangements as they relate to financial matters, including its financial and other internal control systems, the Standing Financial Instructions and Scheme of Delegation. The Committee is responsible for ensuring compliance with mandatory requirements in relation to the University's audit arrangements as set out in the Financial Memorandum between the University and the Scottish Funding Council. It oversees the University's policies on the investigation of questions of financial irregularity or impropriety, and receives annual reports on complaints, counter-fraud and whistleblowing. As noted above, the Committee has responsibility for gaining assurance on the adequacy and effectiveness of policies and procedures for risk management, including the identification and assessment of top-down strategic risks that threaten the achievement of the University's strategic plan. In this capacity it receives regular reports from the University's Risk Management Group. 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, and receives regular reports from the internal and external auditors. Whilst senior executives are in regular attendance at meetings of the Audit & Risk Committee, 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.

- The Health & Safety Assurance Group provides an annual report to the Audit & Risk Committee on all matters concerning health and safety, including the University's legal obligations. The Group met three times in the year ending 31 July 2019, and received reports from the University's Head of Environmental, Health & Safety Services concerning the management of various areas of health and safety at work, including occupational health, radiation hazards, biological and chemical hazards and fire safety. The Group reviews all accidents and near misses reported to the University, as well as remedial actions taken. The Group periodically reviews the University's Health & Safety Policy and 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 University Ethics & Research Integrity Assurance Group reports to the Audit & Risk Committee on the effectiveness of the University's policies, procedures and decision-making on the ethical consequences of teaching and research³, and the University's engagement with the Concordat to Support Research Integrity. It receives reports from the University Teaching & Research Ethics Committee, the Animal Welfare Ethics Committee, and the Research Integrity Working Group.

The **Governance & Nominations Committee** advises Court on any matter pertaining to the execution of its governance functions. This includes the recruitment and appointment of non-executive members of Court; the oversight of elections to Court positions; and the processes for appointments of nominated Court positions. The Committee oversees the skills register for Court members, and makes recommendations to Court on (a) the overall structure of University committees and (b) the remit and Court-nominated membership of such committees. It also recommends to Court how it should be represented, as necessary, on external or internal bodies. It is responsible for ensuring compliance with relevant codes of good governance, including the 2017 Scottish Code of Good HE Governance, and is overseeing the ordinance changes and other arrangements necessary to demonstrate compliance with the HE Governance (Scotland) Act 2016. It holds an annual review of the effectiveness of Court's activities. The next externally facilitated review is due in 2022/23. The membership of Governance & Nominations Committee includes assessors representing both academic and non-academic staff as well as the

³ This also applies to University sponsored activities wherever geographically undertaken.

President of the Students' Association, the Principal, Senior Governor and two other non-executive members, one of whom acts as convener. Whilst the 2017 Code of Governance recommends that Nominations Committees should have a lay majority, the Committee believes that the current membership strikes a more appropriate and representative balance. This is reported under "comply or explain" in the statement of compliance with the Scottish Code, and is considered to be consistent with the Code's main principle 7 that the Committee must have a suitably inclusive membership. The Committee held three scheduled meetings and two extraordinary meetings in the year ending 31 July 2019. All meetings were quorate and the attendance rate was 94%.

The **Planning & Resources Committee** (PARC) considers, recommends approval of, and monitors the University's major commitments and management of resources. Each meeting receives a report from the Principal, a paper on KPI performance, an in-year summary Financial Report comparing actual income and expenditure with budgeted levels, and a report on Property and Infrastructure issues. The Committee approves the Outcome Agreement for recommendation to Court and reviews the impact of the SFC Main Grant letter, including its likely impact on the University Financial Plan. PARC reviews on an annual basis financial and institutional performance, and the University's financial and strategic plans, as well as a broad range of annual reports relating to its strategic, financial and planning responsibilities. These include development activities, environmental performance, commercialisation, infrastructure and, from 2018, Special Collections and Museum Collections (this last previously reported to the Audit & Risk Committee). PARC monitors the level and cost of the University's borrowings and the extent of other liabilities, 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 Financial Regulations (www.st-andrews.ac.uk/policy/financial-matters/financial-regulations.pdf). Court receives recommendations and advice from PARC in respect of its strategic planning and development responsibilities. PARC is chaired by the Senior Governor. The Committee held four scheduled meetings in the year ending 31 July 2019. All meetings were quorate and the attendance rate was 91%.

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 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 Committee** reviews and approves remuneration arrangements for staff in the University above defined thresholds and on the recommendation of the Principal, increases in remuneration which do not represent standard progression with regard to a recognised salary scale or which relate to members of the Principal's Office. The Committee respects the requirements of the Scottish Code of HE Governance on Remuneration Committees, and also draws on the CUC Higher Education Senior Staff Remuneration Code as a source of good practice. It consists of independent members of Court. From 2018, the Principal ceased to be a member of the Committee although may be in attendance to advise the Committee on specific issues. The Principal may not be in attendance for discussion of any item relating to her pay, contract, or terms and conditions of employment. The Committee monitors the implementation of the University's policy on severance payments, receiving reports on all severance arrangements and approving specific recommendations which involve University expenditure in excess of £100,000 (there were none in the year ending 31 July 2019). The Committee determines the remuneration of the Principal (in the absence of the Principal) and provides an annual report to the University Court detailing salary changes for senior staff.

More widely, the Committee has a general overview of matters related to salaries, including pension policy, in order to ensure the exercise of appropriate financial control and of reasonable employer behaviour in relation to remuneration and severance arrangements. The Committee held two scheduled meetings, both quorate, in the year ending 31 July 2019. The attendance rate was 91%.

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 maintains a formal register of interests, which, in accordance with the Scottish Code of Good Higher Education Governance, is updated at least annually and made publicly available on the University website.

Organisational Sustainability

The long-term sustainability of the institution is assured through the University Strategy (www.st-andrews.ac.uk/about/governance/university-strategy). The 2018-23 Strategy is now in implementation phase and progress will be reported through an annual report and reviewed performance indicators. The Strategy is underpinned by five key supporting strategies focusing on accommodation, digital, people, estate and finance, which were being developed throughout Academic Year 2018/19. Strategic planning meetings take place with each school and professional service unit, establishing operational priorities, success factors and assessing performance, risks and mitigation. Investment and prioritisation decisions at operational level across the institution take place through three structures: Workforce Planning Group, Business Transformation Board, and Space and Asset Management Group. A Business Transformation Plan sets out the University's priority business change initiatives over the period 2018-21, regularly reviewed to align with the University's strategic plan, and overseen by a board chaired by the Chief Operating Officer. Regular reports are provided to Court through PARC. Future financial and infrastructure plans are also approved by Court and progress monitored by PARC. The University has a comprehensive set of Key Performance Indicators (KPIs) covering all main areas of business and linking closely to the Strategic Objectives. These also form a standing item on PARC and Court agendas and will be reviewed in 2019/20. The University's approach to risk management is overseen by the Audit and Risk Committee and managed internally by the Risk Management Group, chaired by the Vice-Principal (Governance). Risks are attributed to both KPIs and Strategic Objectives and the effectiveness of controls and mitigating actions are systematically monitored.

Statement on employment of disabled persons

The University is committed to ensuring that all staff and students, whether existing or potential, receive fair and equal treatment when applying to become, or working as part of the University Community. The University's Equality Diversity and Inclusion Policy applies to all staff,

students, contractors and visitors, taking into account the provisions of Equality Act (2010) and the Scottish Specific Duties (2012). The Policy objectives are that all individuals will be treated with respect, that they will not be subject to unfair discrimination in any aspect of university life, and to achieve an environment in which everyone has the opportunity to develop to their full potential. The Policy includes specific provision for existing and potential employees with protected characteristics. The University's commitment to the Policy and regulatory framework principles are demonstrated externally through active participation in a number of accreditation schemes. The University successfully renewed its Athena SWAN Institutional Bronze Award in November 2017 and holds the Carer Positive Employer award; the LGBT Charter; and is a Stonewall Diversity Champion. Equalities issues are regularly discussed at the Joint Negotiating Committee with recognised Trade Unions. More information can be found in the University's Equality and Diversity Inclusion Policy (www.st-andrews.ac.uk/staff/policy/hr/equalitydiversityinclusion).

The University provides Guidance for Disabled Staff on its website (www.st-andrews.ac.uk/hr/edi/disability) and will be reviewing its policies in relation to staff reporting disabilities in 2019 to improve reporting rates. In the year ending 31 July 2019, 58 (2.1%) individuals employed by the University declared a disability.

In compliance with equalities legislation, the University published its Equality Mainstreaming Report (www.st-andrews.ac.uk/media/human-resources/equalitydiversity/reports/Equality-Mainstreaming-Interim-Report-30April2019-Final.pdf) on 30 April 2019, reporting on the Equality Outcomes action plan for the period 2017-21.

Training of Court Members

The University encourages Court members to maintain and develop their skills through formal and informal training. Details of courses attended by Court members and co-opted members of Court Committees are set out in the table opposite.

Date	Training	Member
24 October 2018	GDP – New Governors of Scottish Institutions	Dr Derek Ball
12 November 2018	GDP – Rethinking Governance	Dr Morven Shearer
20 February 2019	GDP – Governance in Scotland	Prof Stuart Monro
20 February 2019	GDP – Governance in Scotland	Ms Eve McCurrich
15 May 2019	BDO – Best practice seminars for members of Audit Committee, London	Mrs Pamela Chesters
13 June 2019	Court inductions completed	Cllr Altany Craik
13 August 2019	Court inductions completed	Prof Mark Harris
14 August 2019	Court inductions completed	Mr Frank MacInnis
16 August 2019	Court inductions completed	Mr Jamie Rodney
16 August 2019	Court inductions completed	Ms Amy Bretherton

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 University has no matters to disclose under the Late Payment of Commercial Debts (Interest) Act 1998. The average creditor payment period, calculated as a proportion of the year-end creditors to aggregate amounts invoiced during the year, was 24.3 days (2017/18: 26.0 days; 2016/17: 25.1 days).

Conclusion

The University is a going concern, and has robust systems of corporate governance in place. These meet the principles of good governance set out in the 2017 Code, maintain a sound system of internal controls, and apply the key principles of effective risk management.

Alastair Merrill
Vice-Principal (Governance)
25 October 2019

Independent auditor's report to the Court of the University of St Andrews



Independent auditor's report to the Court of the University of St Andrews

Opinion

We have audited the financial statements of The University of St Andrews ('the university') and its subsidiaries (the 'group') for the year ended 31 July 2019 which comprise the Statement of Principal Accounting Policies, Consolidated Statement of Comprehensive Income and Expenditure, Consolidated and University Statement of Changes in Reserve, Consolidated and University Balance Sheet, Consolidated and University Cash Flow Statement and the related notes 1 to 32, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the group's and of the university's state of affairs as at 31 July 2019 and of the group and university's income and expenditure, recognised gains and losses, and statement of cash flow for the year for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice;
- have been properly prepared in accordance with the Statement of Recommended Practice: Accounting for Further and Higher Education, and relevant legislation; and
- have been prepared in accordance with the requirements of the Charities and Trustee Investment (Scotland) Act 2005 and regulation 14 of the Charities Accounts (Scotland) Regulations 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report below. We are independent of the group and university in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the University Court's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the University Court have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the group's or the university's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The other information comprises the information included in the annual report set out on pages 3-23, other than the financial statements and our auditor's report thereon. The University Court is responsible for the other information.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

Opinion on other matters prescribed by the Scottish Funding Council's Financial Memorandum with Higher Education Institutions

In our opinion, in all material respects:

- the requirements of the Scottish Funding Council's accounts direction have been met;

Independent auditor's report to the Court of the University of St Andrews (cont'd)

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

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Charity Accounts (Scotland) Regulations 2006 (as amended) requires us to report to you if, in our opinion:

- the information given in the Operating and Financial Review is inconsistent in any material respect with the financial statements; or
- proper accounting records have not been kept; or
- the university 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.

Responsibilities of the University Court

As explained more fully in the Statement of the University Court's Responsibilities set out on pages 15-16, the University Court is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the University Court determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the University Court is responsible for assessing the group's and the university's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the University Court either intend to liquidate the group or the university or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

We have been appointed as auditor under section 44(1) (c) of the Charities and Trustee Investment (Scotland) Act 2005 and report in accordance with the Acts and relevant regulations made or having effect thereunder.

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report

This report is made solely to the University Court of the University of St Andrews, as a body, in accordance with regulation 10 of the Charities Accounts (Scotland) Regulations 2006 (as amended). Our audit work has been undertaken so that we might state to the University Court those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the University of St Andrews and the University Court as a body, for our audit work, for this report, or for the opinions we have formed.

*Statutory Auditor
Edinburgh*

Date:

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

The maintenance and integrity of the University of St Andrews's web site is the responsibility of the University Court; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the web site. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

FINANCIAL STATEMENTS

Statement of principal accounting policies

(for the year ended 31 July 2019)



Basis of preparation

These financial statements have been prepared in accordance with the Statement of Recommended Practice: Accounting for Further and Higher Education 2015 (SORP 2015) and in accordance with Financial Reporting Standards 102 (FRS102). The University is a public benefit entity and therefore has applied the relevant public benefit requirement of FRS102. 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 investments and derivative financial instruments.

Basis of consolidation

The consolidated financial statements include the University, all material subsidiary and associate undertakings as listed in the notes to the accounts for the financial year to 31 July 2019. Intra-group transactions are eliminated on consolidation. The activities of the Students' Association have not been consolidated as the University does not exert control or dominant influence over policy decisions.

Critical accounting judgements and key sources of estimation uncertainty

In the application of accounting policies, management are required to make judgements, estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future period.

The following are the key assumptions and estimations that management have made in the process of applying the University's accounting policies and that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year:

Pensions Liabilities

Assumptions used in the calculation of the USS deficit and S&LAS pension provisions represent a source of material uncertainty. The key assumptions made in deriving these figures are explained in detail in note 32.

FRS102 makes the distinction between group plan and a multi-employer scheme. A group plan

consists of a collection of entities under common control typically with a sponsoring employer. A multi-employer scheme is a scheme for entities not under common control and represents (typically) an industry-wide scheme such as Universities Superannuation Scheme. The accounting for a multi-employer scheme where the employer has entered into an agreement with the scheme that determines how the employer will fund a deficit results in the recognition of a liability for the contributions payable that arise from the agreement (to the extent that they relate to the deficit) and the resulting expense in profit and loss in accordance with section 28 of FRS 102. The University is satisfied that the scheme provided by USS meets the definition of a multi-employer scheme and has therefore recognised the discounted fair value of the contractual contributions under the recovery plan in existence at the date of approving the financial statements.

Fixed asset lives and Impairment

Management makes judgement over the most appropriate useful life of assets, over which period the value is depreciated. Management make judgements as to whether any indicators of impairment are present for any of the University's assets and where there are – such has been the case this year due to the fire-damage to the BMS building – there is an element of judgement used to estimate appropriate related costs and income.

Recognition of income

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

Fee income is stated gross of any expenditure which is not a discount and is credited to the Consolidated Statement of Comprehensive Income and Expenditure over the period in which students are studying.

Where the amount of the tuition fee is reduced, by a discount for prompt payment, income receivable is shown net of the discount. Bursaries and scholarships are accounted for gross as expenditure and not deducted from income.

Investment income is credited to the Consolidated Statement of Comprehensive Income and Expenditure on a receivable basis.

Funds the University receives and disburses as paying agent on behalf of a funding body are excluded from the Consolidated Statement of Comprehensive Income and Expenditure where the University is exposed to minimal risk or enjoys minimal economic benefit related to the transaction.

Grant funding

Grant funding including the funding council block grant, research grants from government sources, grants (including research grants) from non-government sources are recognised as income when the University is entitled to the income and performance related conditions have been met. Income received in advance of performance related conditions being met is deferred on the balance sheet and released to the consolidated statement of comprehensive income and expenditure when such conditions are met.

Other funding

Other grants and donations from non-government sources, including research grants from non-government sources, are recognised within the consolidated statement of comprehensive income and expenditure when the University is entitled to the income and performance related conditions have been met. Income received in advance of performance related conditions being met is deferred on the balance sheet and released to the consolidated statement of comprehensive income and expenditure when such conditions are met.

Donations and endowments

Donations and endowments are non-exchange transactions which do not normally have performance related conditions. Donations and endowments with donor imposed restrictions are recognised in income when the University is entitled to the funds. Income is retained within the restricted reserve until such time that it is utilised in line with such restrictions at which point the income is released to unrestricted reserves through a reserves transfer.

Donations with no restrictions are recognised in income when the University is entitled to the funds.

Investment income and appreciation of endowments is recorded in income in the year in which it arises and as either restricted or unrestricted income according to the terms applied to the individual endowment fund.

There are four main types of donations and endowments identified within reserves:

Restricted donations – the donor has specified that the donation must be used for a particular objective.

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.

Restricted expendable endowments – where the donor has specified a particular objective other than the purchase or construction of tangible fixed assets, and the University has the power to use the capital.

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.

Capital grants

Capital grants are recognised in income when the University is entitled to the funds, subject to any performance related condition being met.

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 USS is a hybrid pension scheme and the S&LAS is a defined benefit scheme, both of which are externally funded. Each fund is valued every three years by professionally qualified independent actuaries.

A defined benefit scheme requires the University to provide the agreed benefits to current and former employees, and the actuarial risk (the risk that benefits will cost more or less than expected) and the investment risk (the risk that returns on assets set aside to fund the benefits will differ from expectations) are borne by the University. The University will recognise a liability for its obligations under defined benefit plans, net of plan assets.

The USS Scheme

The scheme is a hybrid pension scheme, providing defined benefits (for all members), as well as defined contribution benefits. The assets of the scheme are held in a separate trustee-administered fund. Because of the mutual nature of the scheme, the assets are not attributed to individual institutions and a scheme-wide contribution rate is set. The institution 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. As required by Section 28 of FRS102 "Employee benefits", the institution therefore accounts for the scheme as if it were a wholly defined contribution scheme. As a result, the amount charged to the income and expenditure account represents the contributions payable to the scheme. Since the institution has entered into an agreement (the Recovery Plan) that determines how each employer within the scheme will fund the overall deficit, the institution recognises a liability for the contributions payable that arise from the agreement (to the extent that they relate to the deficit) and therefore an expense is recognised.

The S&LAS Scheme

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.

Employment benefits

Short-term employment benefits such as salaries and compensated absences are recognised as an expense in the year in which the employees render services to the University. Any unused benefits are accrued and measured as an additional amount the University expects to pay as a result of the unused entitlement.

Service concession arrangements

Fixed assets held under service concession arrangements are recognised on the balance sheet at the present value of the minimum lease payments when the assets are brought into use with a corresponding financial liability. Payments under the service concession arrangement are allocated between service costs, finance charges and financial liability repayments to reduce the financial liability to nil over the life of the arrangement.

Operating leases

Costs in respect of operating leases are charged on a straight-line basis over the lease term. Any lease premiums or incentives are spread over the minimum lease term.

Foreign currencies

Transactions in foreign currencies are translated into sterling at the exchange rate ruling at the date of transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated to sterling at the exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in the Consolidated Statement of Comprehensive Income and Expenditure.

The assets and liabilities of foreign operations are translated into sterling at exchange rates ruling at the balance sheet date. The revenues and expenses of foreign operations are translated at the average rate for the year where this rate approximates to the exchange rates ruling at the dates of the transactions. Exchange rate differences arising from this translation of foreign operations are reported as an item of Other Comprehensive Income.

Property, plant & equipment

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.

Land

Land is stated at deemed cost, being the revalued amount at the date of transition to the 2015 SORP. It is not depreciated as it is considered to have an indefinite useful life.

Buildings

Buildings are stated at historic cost and are depreciated on a straight line basis over their expected useful economic lives which fall within the following ranges:

- Building structure 40-50 Years
- Building fit-out 20-30 Years
- Building services 25-35 Years

A depreciable asset's anticipated useful economic life, in particular the key components of buildings, is reviewed periodically by an independent expert valuer and the accumulated and future depreciation adjusted accordingly.

Assets under construction are carried at cost, less any impairment loss. Assets under construction are not depreciated until the month following the month in which they become available for operational use.

At each reporting period end, the University checks whether there is any indication that any of its Land and Building assets have suffered an impairment loss. If there is indication of an impairment loss, the recoverable amount of the asset is estimated to determine whether there has been a loss and, if so, its amount.

Equipment and furniture

Equipment costing less than £25,000 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:

- Telecommunications Systems 7 Years
- General Furnishings 7 Years
- Equipment 4-7 Years
- IT Equipment 4-7 Years
- Vehicles 7 Years

Heritage assets

The University holds and conserves a number of collections, exhibits, artefacts and other assets of historical, artistic or scientific importance. Works of art and other artefacts valued at over £25,000 have been capitalised and recognised at the cost or value of the

acquisition, where such cost or valuation is reasonably attainable. Higher value collections are stated at deemed cost, being the revalued amount at the date of transition to the 2015 SORP. Heritage assets are not depreciated as their long economic life and high residual value means that any depreciation would not be material.

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.

Investment properties

Investment properties are land and buildings held for rental income or capital appreciation rather than for use in delivering services. They are measured initially at cost and subsequently at fair value with movements recognised in the Consolidated Statement of Comprehensive Income and Expenditure. Properties are not depreciated but are revalued or reviewed annually according to market conditions as at 31 July each year.

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.

Investments

Listed investments are stated at 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 and cash equivalents

Cash includes cash in hand, deposits repayable on demand and overdrafts. Deposits are repayable on demand if they are in practice available within 24 hours without penalty.

Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash with insignificant risk of change in value.

Provisions, contingent liabilities and contingent assets

Provisions are recognised in the financial statements when:

- (a) the University has a present obligation (legal or constructive) as a result of a past event,
- (b) it is probable that a transfer of economic benefits will be required to settle the obligation, and
- (c) 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.

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.

Joint Operations, jointly controlled assets and jointly controlled operations

The University accounts for its share of joint ventures using the equity method. The University accounts for its share of transactions from joint operations in the Consolidated Statement of Income and Expenditure.

Taxation

The University is an exempt charity within the meaning of the Trustee Investment and Charities (Scotland) Act 2005 and as such is a charity within the meaning of Section 506(1) of the Income and Corporations Tax Act 1988. The University is recognised as a charity by HM Revenue and Customs and is recorded on the index of charities maintained by the Office of the Scottish Charities Regulator. It is therefore a charity within the meaning of Para 1 of Schedule 6 to the Finance Act 2010 and accordingly, the University is potentially exempt from taxation in respect of income or capital gains received within categories covered by sections 478-488 of the Corporations Tax Act 2010 (CTA 2010) or section 256 of the Taxation of Chargeable Gains Act 1992, to the extent that such income and gains are applied to exclusively 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 paid to the University.

Financial instruments

Basic financial instruments are held at amortised cost using the effective interest rate method or cost and are subject to an annual impairment review. Complex financial instruments are held at fair value, with changes in fair value taken directly to the statement of comprehensive income.

The University uses an interest rate swap 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.

This financial instrument is held on the balance sheet at fair value. The University has adopted and complied with the requirements for hedge accounting and as a result, movements in fair value are recorded within Other Comprehensive Income.

Reserves

Reserves are classified as restricted or unrestricted. Restricted endowment reserves include balances which through endowment to the University are held as a permanently restricted fund which the University must hold in perpetuity. Other restricted reserves include balances where the donor has designated a specific purpose and therefore the University is restricted in the use of these funds.

Consolidated statement of comprehensive income and expenditure

	Notes	Year ended 31 July 2019		Year ended 31 July 2018	
		Consolidated £000	University £000	Consolidated £000	University £000
Income					
Tuition fees & education contracts	1	104,644	104,644	100,215	100,215
Funding body grants	2	39,005	39,005	38,253	38,253
Research grants & contracts	3	39,420	39,521	41,274	41,375
Other income	4	61,379	54,515	51,713	44,681
Development fee	5	-	-	13,648	13,648
Investment income	6	3,702	3,864	2,722	2,927
Donations and endowments	7	9,298	9,638	4,078	5,221
Total income		257,448	251,187	251,903	246,320
Expenditure					
Staff costs	8	138,911	135,340	127,347	124,350
USS pension deficit	8	39,293	39,293	(2,262)	(2,262)
Other operating expenses		87,324	85,369	84,859	82,721
Depreciation	12	13,744	12,709	12,874	11,852
Interest and other finance costs	9	5,444	5,444	5,561	5,561
Total expenditure	10	284,716	278,155	228,379	222,222
(Deficit) / surplus before other gains/losses		(27,268)	(26,968)	23,524	24,098
Loss on disposal of assets		(446)	(446)	(579)	(579)
Gain on investment property		359	359	-	-
Gain on investments		5,131	5,131	6,580	6,580
(Deficit) / surplus before tax		(22,224)	(21,924)	29,525	30,099
Taxation	11	-	-	(1)	-
(Deficit) / surplus for the year		(22,224)	(21,924)	29,524	30,099
Actuarial (loss)/gain in respect of pension schemes	32	(13,035)	(13,035)	9,848	9,848
Change in fair value of hedging financial instruments		-	-	172	172
Total comprehensive income for the year		(35,259)	(34,959)	39,544	40,119
Represented by:					
Endowment comprehensive income for the year	24	12,138	12,138	8,316	8,316
Restricted comprehensive income for the year	25	6,080	6,080	6,599	6,599
Unrestricted comprehensive income for the year		(53,477)	(53,177)	24,629	25,204
		(35,259)	(34,959)	39,544	40,119

All items of income and expenditure relate to continuing activities.

Consolidated and University statement of changes in reserves (for the year ended 31 July 2019)



Consolidated and University statement of changes in reserves

Income and expenditure account				
Consolidated	Endowment £000	Restricted £000	Unrestricted £000	Total £000
Balance at 1 August 2017	69,443	4,786	222,556	296,785
Surplus from the income and expenditure statement	8,316	7,054	14,154	29,524
Other comprehensive income	-	-	10,020	10,020
Release of restricted funds spent in the year	-	(455)	455	-
Total comprehensive income for the year	8,316	6,599	24,629	39,544
Balance at 1 August 2018	77,759	11,385	247,185	336,329
Surplus / (deficit) from the income and expenditure statement	12,138	6,260	(40,622)	(22,224)
Other comprehensive income	-	-	(13,035)	(13,035)
Release of restricted funds spent in the year	-	(180)	180	-
Total comprehensive income for the year	12,138	6,080	(53,477)	(35,259)
Balance at 31 July 2019	89,897	17,465	193,708	301,070

University	Endowment £000	Restricted £000	Unrestricted £000	Total £000
Balance at 1 August 2017	69,443	4,786	222,152	296,381
Surplus from the income and expenditure statement	8,316	7,054	14,729	30,099
Other comprehensive income	-	-	10,020	10,020
Release of restricted funds spent in the year	-	(455)	455	-
Total comprehensive income for the year	8,316	6,599	25,204	40,119
Balance at 1 August 2018	77,759	11,385	247,356	336,500
Surplus / (deficit) from the income and expenditure statement	12,138	6,260	(40,322)	(21,924)
Other comprehensive income	-	-	(13,035)	(13,035)
Release of restricted funds spent in the year	-	(180)	180	-
Total comprehensive income for the year	12,138	6,080	(53,177)	(34,959)
Balance at 31 July 2019	89,897	17,465	194,179	301,541

Consolidated and University balance sheet

(as at 31 July 2019)



Consolidated and University balance sheet

	Notes	As at 31 July 2019		As at 31 July 2018	
		Consolidated £000	University £000	Consolidated £000	University £000
Non-current assets					
Tangible Fixed assets	12	399,190	379,236	373,119	352,229
Heritage assets	12	38,808	38,808	38,763	38,763
Investments	15	79,328	94,352	71,918	86,113
		517,326	512,396	483,800	477,105
Current assets					
Stock	17	1,036	831	1,003	798
Trade and other receivables	18	29,101	38,644	23,546	33,690
Current Investments	19	33,681	33,681	25,679	25,679
Cash and cash equivalents	26	24,533	21,651	29,071	26,216
		88,351	94,807	79,299	86,383
Less: Creditors : amounts falling due within one year	20	(84,541)	(85,691)	(63,137)	(63,450)
Net current assets		3,810	9,116	16,162	22,933
Total assets less current liabilities		521,136	521,512	499,962	500,038
Creditors: amounts falling due after more than one year	21	(111,268)	(111,173)	(111,333)	(111,238)
Provisions					
Pension provisions	23	(107,747)	(107,747)	(51,330)	(51,330)
Other provisions	23	(1,051)	(1,051)	(970)	(970)
Total net assets		301,070	301,541	336,329	336,500
Restricted reserves					
Income and expenditure reserve – endowment reserve	24	89,897	89,897	77,759	77,759
Income and expenditure reserve – restricted reserve	25	17,465	17,465	11,385	11,385
Unrestricted reserves					
Income and expenditure reserve – unrestricted		193,708	194,179	247,185	247,356
Total reserves		301,070	301,541	336,329	336,500

Approved by the University Court of the University of St Andrews on 25 October 2019 and signed on its behalf by:

Professor Sally Mapstone,
Principal and Vice-Chancellor

Dame Anne Pringle,
Senior Governor

Mr Andy Goor,
Chief Financial Officer

Consolidated and University cash flow

(Year ended 31 July 2019)



Consolidated and University cash flow

	Notes	Year ended 31 July 2019 £000	Year ended 31 July 2018 £000
Cash flow from operating activities			
(Deficit) / surplus for the year		(22,224)	29,524
Adjustment for non-cash items			
Depreciation	12	13,744	12,874
Gain on investments property	12	(359)	-
Gain on investments	24	(6,836)	(8,503)
Increase in stock	17	(33)	(14)
Increase in debtors	18	(5,555)	(3,667)
Increase / (decrease) in creditors	20	18,306	(4,604)
Increase in pension provisions	23	43,382	301
Increase in other provisions	23	81	510
Impairment of tangible fixed assets	12	197	551
Adjustment for investing or financing activities			
Investment income	6	(3,702)	(2,722)
Endowment income	7	(6,217)	(1,233)
Interest payable	9	4,101	4,139
Loss on the sale of fixed assets		446	579
Capital grant income	2/4	(8,127)	(6,035)
Net cash inflow from operating activities		27,204	21,700
Cash flows from investing activities			
Proceeds from sales of fixed assets		879	65
Capital grant receipts	2/4	8,127	6,035
Additions to non-current asset investments		(585)	3,367
Additions to deposits		(1,785)	(1,368)
Investment income	6	3,702	2,722
Payments made to acquire fixed assets		(38,874)	(29,607)
New deposits	7	(6,217)	(1,233)
Net cash outflow from investing activities		(34,753)	(20,019)
Cash flows from financing activities			
Interest paid	9	(4,101)	(4,139)
Endowment cash received	7	6,217	1,233
New secured loans	21	2,395	41,981
Repayments of amounts borrowed	21	(1,500)	(31,500)
Net cash inflow from financing activities		3,011	7,575
(Decrease) / Increase in cash and cash equivalents in the year		(4,538)	9,256
Cash and cash equivalents at beginning of the year	26	29,071	19,815
Cash and cash equivalents at end of the year	26	24,533	29,071
		(4,538)	9,256

Notes to the accounts

(as at 31 July 2019)



1. Tuition fees and education contracts

	Year ended 31 July 2019		Year ended 31 July 2018	
	Consolidated £000	University £000	Consolidated £000	University £000
Full-time home and EU students	11,120	11,120	11,855	11,855
RUK students	19,904	19,904	19,756	19,756
Full-time international students	66,411	66,411	60,845	60,845
Part-time home and EU students	308	308	311	311
Part-time international students	58	58	509	509
Research training support grant	3,722	3,722	3,668	3,668
Short course fees	2,803	2,803	2,971	2,971
Other tuition fees	318	318	300	300
	104,644	104,644	100,215	100,215

2. Funding body grants

	Year ended 31 July 2019		Year ended 31 July 2018	
	Consolidated £000	University £000	Consolidated £000	University £000
Recurrent grant				
Teaching	14,708	14,708	13,900	13,900
Research	19,880	19,880	19,210	19,210
Specific grant				
Other grants	1,700	1,700	2,358	2,358
Capital grants	2,717	2,717	2,785	2,785
	39,005	39,005	38,253	38,253

3. Research grants and contracts

	Year ended 31 July 2019		Year ended 31 July 2018	
	Consolidated £000	University £000	Consolidated £000	University £000
Research councils	16,450	16,450	19,342	19,342
UK Government bodies, local & health authorities	4,549	4,549	4,375	4,375
UK based charities	3,881	3,881	3,552	3,552
UK industry, commerce & public corporations	1,266	1,367	1,383	1,484
EU government bodies	7,378	7,378	7,211	7,211
EU other	1,406	1,406	815	815
Other overseas	4,360	4,360	4,457	4,457
Other sources	130	130	139	139
	39,420	39,521	41,274	41,375

4. Other income

	Year ended 31 July 2019		Year ended 31 July 2018	
	Consolidated £000	University £000	Consolidated £000	University £000
Residences fees	28,937	28,937	28,240	28,240
Capital donations	5,410	5,410	3,250	3,250
Insurance compensation	4,680	4,680	-	-
Third party contributions to operational activities	4,300	4,279	2,960	2,639
Consultancy, knowledge transfer and cultural engagement	3,259	425	2,547	363
Conference sales	2,821	-	3,836	-
Miscellaneous sales	2,032	827	1,878	790
External contribution to salaries	1,746	1,822	1,166	1,240
Other income	1,260	1,260	784	784
Memberships	1,151	1,151	1,057	1,057
Bar sales	931	931	985	985
Foreign exchange gains	798	731	487	510
Royalties	759	759	716	716
Non research prizes and awards	714	714	529	529
Other services provided	648	497	191	411
Academic conferences	623	623	643	643
Hire and facilities	422	422	343	343
Rental	409	568	1,255	1,335
Continuing professional development	388	388	527	527
Subscription income	91	91	232	232
Consumables and services recharged	-	-	87	87
	61,379	54,515	51,713	44,681

5. Development Fee

	Year ended 31 July 2019		Year ended 31 July 2018	
	Consolidated £000	University £000	Consolidated £000	University £000
Development Fee	-	-	13,648	13,648

In the year ended 31 July 2018 the University received £13.6million as a facilitation fee from a third party to develop new student accommodation at Powell Hall and Whitehorn Hall which were opened to students in October 2018. There were no similar development fees in 2018/19.

6. Investment income

	Year ended 31 July 2019		Year ended 31 July 2018	
	Consolidated £000	University £000	Consolidated £000	University £000
Interest from short-term investments	841	783	476	461
Interest from long-term investments	-	220	-	220
Investment income on restricted endowments	2,594	2,594	2,005	2,005
Investment income on unrestricted endowments	267	267	241	241
	3,702	3,864	2,722	2,927

7. Donations and endowments

	Year ended 31 July 2019		Year ended 31 July 2018	
	Consolidated £000	University £000	Consolidated £000	University £000
New endowments (note 24)	6,217	6,217	1,233	1,233
Donations with restrictions	2,151	2,151	1,827	1,827
Restricted donations with performance conditions	424	424	440	440
Unrestricted donations	506	846	578	1,721
	9,298	9,638	4,078	5,221

8. Staff costs

	Year ended 31 July 2019		Year ended 31 July 2018	
	Consolidated £000	University £000	Consolidated £000	University £000
Staff Costs:				
Salaries	109,409	106,425	101,822	98,983
Social security costs	10,474	10,014	9,424	9,337
Movement on USS deficit provision	39,293	39,293	(2,262)	(2,262)
Other pension costs	19,028	18,901	16,101	16,030
	178,204	174,633	125,085	122,088

A further breakdown of pension costs, including the analysis of USS deficit provision has been included in note 32.

	Year ended 31 July 2019 £000	Year ended 31 July 2018 £000
Emoluments of the Principal:		
Salary	260	249
Pension contributions to USS	26	23
Additional payment in lieu of retirement benefit payments	8	10
Other taxable benefits:		
Payments to third parties	1	-
Non-taxable benefits:		
Living accommodation	6	6
Total Emoluments	301	288

As outlined above the Principal receives a non-taxable benefit for living accommodation. The Principal occupies a small third floor flat that is provided to her by the University on a representative basis, that is, as part of her role as University Principal and as outlined in her contract with the University. The flat is within University House, the remainder of which is used for public receptions, meetings and dinners, and for temporary accommodation for visiting scholars and university guests. The Principal pays a contribution towards the running costs of the accommodation noted above, with the balance being paid by the University on behalf of the Principal, as reflected by the payments to third parties.

The Principal's remuneration is 7.38 times (2018: 7.24 times) the median pay of staff, where the median pay is based on the annualised full-time equivalent remuneration of all staff at the reporting date. There is no significant change in median compared to prior year.

8. Staff costs (cont'd)

	2018/19 No.	2017/18 No.
Remuneration of other higher paid staff, excluding employer's pension contributions:		
£100,001 to £105,000	7	10
£105,001 to £110,000	12	9
£110,001 to £115,000	6	5
£115,001 to £120,000	7	5
£120,001 to £125,000	5	3
£125,001 to £130,000	2	1
£130,001 to £135,000	3	2
£140,001 to £145,000	1	-
£150,001 to £155,000	-	1
£165,001 to £170,000	-	1
£170,001 to £175,000	1	-
£180,001 to £185,000	1	-
£185,001 to £190,000	-	1
£190,001 to £195,000	2	1
£205,001 to £210,000	-	1
£215,001 to £220,000	-	1
£220,001 to £225,000	1	-
	48	41

The Principal has been excluded from the table above.

	No.	No.
Average staff numbers by major category:		
Academic	1,137	1,094
Academic support services	292	283
Research	336	332
Administration	428	401
Premises	229	226
Catering and residencies	291	264
	2,713	2,600

Key management personnel

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the University. For the University of St Andrews this is taken to mean the Principal's Office and includes the following roles:

Principal & Vice-Chancellor; Master of the United College & Deputy Principal; Chief Operating Officer, Quaestor & Factor; Vice-Principal Education (Proctor); Vice-Principal (Governance); Vice-Principal (International Strategy & External Relations); Vice-Principal (Research & Innovation); Vice-Principal (Collections, Music & Digital Content); Assistant Vice-Principal (Provost) and Director of the Graduate School for Interdisciplinary Studies; Assistant Vice-Principal (Diversity).

8. Staff costs – Key Management Personnel (cont'd)

	Year ended 31 July 2019 £000	Year ended 31 July 2018 £000
Salaries	1,241	1,045
Employers pension contributions	185	162
Total compensation	1,426	1,207

	Year ended 31 July 2019 No.	Year ended 31 July 2018 No.
Number of posts (expressed as full-time equivalents) that are included as key management personnel	9.4	7.4

During the year two new posts were established, the position of Assistant Vice-Principal (Provost) was created in August 2018 and the position of Assistant Vice-Principal (Diversity) in March 2019.

9. Interest and other finance costs

	Year ended 31 July 2019		Year ended 31 July 2018	
	Consolidated £000	University £000	Consolidated £000	University £000
Loan interest	4,090	4,090	4,130	4,130
Interest paid to endowment funds	11	11	9	9
Net charge on USS pension scheme	455	455	432	432
Net charge on S&LAS pension scheme (note 32)	888	888	990	990
	5,444	5,444	5,561	5,561

10. Analysis of total expenditure by activity

	Year ended 31 July 2019		Year ended 31 July 2018	
	Consolidated £000	University £000	Consolidated £000	University £000
Academic and related expenditure	117,696	117,696	83,873	83,873
Academic support services	25,027	25,027	19,988	19,988
Administration and central services	26,589	26,589	23,720	23,720
Premises (including service concession)	23,059	24,448	23,877	25,527
Research grants and contracts	34,573	34,573	29,103	29,103
Residences, catering and conferences	23,754	24,865	21,093	22,298
Other expenses	34,018	24,957	26,725	17,713
	284,716	278,155	228,379	222,222

Other operating expenses include:	2018/19	2017/18
External auditor's remuneration in respect of:		
audit services	128	103
assurance related non-audit services	6	6
Internal auditor's remuneration in respect of:		
audit services	79	100
non-audit services	390	95
Hire of plant and equipment	276	367

The non-audit services provided by internal auditors included both tax and actuarial pension advice. Around £0.322million of the fees charged in 2018/19 were one-off contingency fees relating to a detailed review of the University's partial exemption methodology which resulted in significant VAT savings.

11. Taxation

	Year ended 31 July 2019		Year ended 31 July 2018	
	Consolidated £000	University £000	Consolidated £000	University £000
Tax charge on subsidiary profits	-	-	-	-
Adjustment in respect of prior years	-	-	1	-
	-	-	1	-

12. Tangible Fixed Assets

Consolidated	Land and Buildings £000	Assets under Construction £000	Equipment & Furniture £000	Endowed Properties £000	Total £000	Heritage Assets £000	Total £000
Cost							
At 1 August 2018	418,684	26,991	98,041	2,724	546,440	38,763	585,203
Additions	1,755	35,177	4,035	-	40,967	45	41,012
Transfers	11,975	(13,617)	1,642	-	-	-	-
Revaluation	359	-	-	11	370	-	370
Disposals	(1,848)	-	(348)	-	(2,196)	-	(2,196)
At 31 July 2019	430,925	48,551	103,370	2,735	585,581	38,808	624,389
Depreciation							
At 1 August 2018	90,124	-	83,197	-	173,321	-	173,321
Charge for Year	9,780	-	3,964	-	13,744	-	13,744
Impairment	197	-	-	-	197	-	197
Disposals	(530)	-	(341)	-	(871)	-	(871)
At 31 July 2019	99,571	-	86,820	-	186,391	-	186,391
Net Book Value							
At 31 July 2019	331,354	48,551	16,550	2,735	399,190	38,808	437,998
At 31 July 2018	328,560	26,991	14,844	2,724	373,119	38,763	411,882

12. Tangible Fixed Assets (cont'd)

University	Land and Buildings £000	Assets under Construction £000	Equipment & Furniture £000	Endowed Properties £000	Total £000	Heritage Assets £000	Total £000
Cost							
At 1 August 2018	401,022	26,977	92,680	2,724	523,403	38,763	562,166
Additions	1,755	35,091	4,022	-	40,868	45	40,913
Transfers	11,975	(13,517)	1,542	-	-	-	-
Revaluation	359	-	-	11	370	-	370
Disposals	(1,848)	-	(348)	-	(2,196)	-	(2,196)
At 31 July 2019	413,263	48,551	97,896	2,735	562,445	38,808	601,253
Depreciation							
At 1 August 2018	89,020	-	82,154	-	171,174	-	171,174
Charge for Year	9,154	-	3,555	-	12,709	-	12,709
Impairment	197	-	-	-	197	-	197
Disposals	(530)	-	(341)	-	(871)	-	(871)
At 31 July 2019	97,841	-	85,368	-	183,209	-	183,209
Net Book Value							
At 31 July 2019	315,422	48,551	12,528	2,735	379,236	38,808	418,044
At 31 July 2018	312,002	26,977	10,526	2,724	352,229	38,763	390,992

Included within fixed assets is an amount of £3,523,218 (2017/18 – £3,523,218) of capitalised finance costs.

Endowment Properties are Investment Properties where the land and buildings are held for rental income and capital appreciation. They are held at Fair Value.

13. Heritage assets

Additions and Disposals

The table below shows the analysis of acquisitions

Acquisitions for the current and previous four years were as follows:

	2019 £000	2018 £000	2017 £000	2016 £000	2015 £000
Acquisitions purchased with specific donations	-	-	-	-	-
Acquisitions purchased with University funds	45	60	-	45	58
Total cost of acquisitions purchased	45	60	-	45	58
Value of acquisitions by donation	-	-	270	-	45
Total acquisitions purchased	45	60	270	45	103

13. Heritage assets (cont'd)

Main Collections

The University holds Heritage Assets across several locations, which are split into two collections, the Museum Collections and the Special Collections which are held in support of the University's core purpose of teaching and research.

Information about the University's policy for the acquisition, preservation and management and disposal

of heritage assets is provided in the separate publications as follows:

- The Museum Collections – www.st-andrews.ac.uk/media/museum-collection-unit/documents/Collections%20Development%20Policy,%20revised%20Jan2013.pdf
- The Special Collections – www.st-andrews.ac.uk/library/specialcollections/aboutus/policies/

14. Service concession arrangements

The University has arrangements in place in respect of student accommodation, for which service delivery has previously commenced and is ongoing.

In September 2015 and 2016 the University entered into a 40-year contract with a third-party provider for the provision and maintenance of Fife Park (Phase III and Phase II) providing accommodation to around 500 students. The assets and liabilities relating to these schemes were initially recognised on the University's Balance Sheet but fully written down / unwound over the course of one year in line with the agreements in place.

In September 2017 the University entered into a 40-year contract with the same third-party provider for the

provision and maintenance of Powell and Whitehorn Halls providing accommodation to around 400 students. No assets or liabilities were recognised relating to these schemes because there was no nominations agreement in place.

The University has the option to provide an annual occupancy commitment and as a result of this option being exercised during the current year, £6.3million of 2019/20 rental costs has been recorded within other operating expenses, with a corresponding income of £6.3million. In the Balance Sheet the University has recorded a liability of £6.3million which has been offset by £6.3million debtor.

15. Non-current Investments

	Subsidiary companies £000	Other fixed asset investments £000	Total £000
Consolidated			
At 1 August 2018	-	71,918	71,918
Additions	-	41,436	41,436
Disposals	-	(40,169)	(40,169)
Appreciation	-	6,825	6,825
Debtor movement	-	102	102
Cash movement	-	(784)	(784)
At 31 July 2019	-	79,328	79,328
University			
At 1 August 2018	14,195	71,918	86,113
Additions	829	41,436	42,265
Disposals	-	(40,169)	(40,169)
Appreciation	-	6,825	6,825
Debtor movement	-	102	102
Cash movement	-	(784)	(784)
At 31 July 2019	15,024	79,328	94,352

15. Non-current Investments (cont'd)

Additional Analysis of other fixed asset investments	£000
Endowment Equities	60,701
Non-Endowment Equities	53
Multi-asset Investments	7,545
Property Trust	10,168
Creditors	5
Cash and cash equivalent	856
Total Investments	79,328

Listed investments are held at fair value based on quoted market price.

Subsidiary companies

The University owns the following subsidiary companies directly:

Company	Country of incorporation	Activity
St Andrews University Services Ltd	Scotland	Vacation letting
St Andrews Applied Research Ltd	Scotland	Applied Research

St Andrews Applied Research Ltd in turn directly or indirectly owns the subsidiaries listed below:

Company	Country of incorporation	Activity
University of St Andrews Shop Ltd	Scotland	Retail
Photosynergy Ltd	Scotland	Laser Lighting
Eden Estuary Energy Ltd	Scotland	Energy Generation
SOI Group Ltd	Scotland	Marine Science
St Andrews Lean Consulting Ltd	Scotland	Management Change Consultancy
Drochaid Research Services Ltd	Scotland	Contract Research
Eden Campus Properties Ltd	Scotland	Property Rental
Eden Campus Consultancy Ltd (51% owned)	Scotland	Management Consultancy
St Andrews West Properties Ltd	Scotland	Property Development
SUMAC Mentoring Ltd	Scotland	Mentoring Programme
Smart History Ltd (60% owned)	Scotland	Computer Science & History
SOI Ltd	Scotland	Marine Science
SMRU Ltd	Scotland	Marine Science
St Andrews Instrumentation Ltd	Scotland	Marine Science
StAAR Inc	USA	Applied Research
SMRU (Hong Kong) Ltd	Hong Kong	Marine Science
SMRU (Canada) Ltd	Canada	Marine Science
SMRU LLC	USA	Marine Science

16. Investment in associates

The University, through a wholly owned subsidiary (St Andrews University Services Ltd) has a 49% holding in four Limited Liability Partnerships (LLPs) with Campus Living Villages (CLV). The principal business activities include the acquisition, delivery, operation and

management of student accommodation and associated services. The profit share of £398k (2017/18 – £224k) has been recognised as income and is reported in the University's consolidated income and expenditure account.

17. Stock

	As at 31 July 2019		As at 31 July 2018	
	Consolidated £000	University £000	Consolidated £000	University £000
Stocks of:				
Consumables	831	831	798	798
Goods for resale	205	-	205	-
	1,036	831	1,003	798

18. Trade and other receivables

	As at 31 July 2019		As at 31 July 2018	
	Consolidated £000	University £000	Consolidated £000	University £000
Amounts receivable within one year				
Research grants receivables	8,060	8,060	8,316	8,316
Debts due from students	514	514	752	752
Trade receivables	3,137	2,367	1,829	1,360
Amounts due from subsidiary companies	-	1,267	-	1,269
Other receivables	1,491	39	798	80
Prepayments and accrued income	15,899	15,397	11,851	10,913
	29,101	27,644	23,546	22,690
Amounts receivable after more than one year				
Amounts due from subsidiary companies	-	11,000	-	11,000
Total trade and other receivables	29,101	38,644	23,546	33,690

Interest of £220,000 which relates to the long-term receivable due from subsidiaries has been credited to the University's Statement of Income and Expenditure (note 6).

19. Current investments

	As at 31 July 2019		As at 31 July 2018	
	Consolidated £000	University £000	Consolidated £000	University £000
Deposits maturing:				
In one year or less	33,681	33,681	25,679	25,679
	33,681	33,681	25,679	25,679

20. Creditors: amounts falling due within one year

	As at 31 July 2019		As at 31 July 2018	
	Consolidated £000	University £000	Consolidated £000	University £000
Trade payables	5,979	5,038	4,322	3,831
Social security and other taxation payable	4,031	3,900	3,110	3,061
Amounts owed to group undertakings	-	1,492	-	1,492
Accruals and deferred income	73,571	74,301	55,705	55,066
Unsecured loans (note 22)	960	960	-	-
	84,541	85,691	63,137	63,450

Deferred income

Included within accruals and deferred income are the following items of income which have been deferred until specific performance conditions have been met:

	As at 31 July 2019		As at 31 July 2018	
	Consolidated £000	University £000	Consolidated £000	University £000
Donations with performance conditions	2,201	2,201	816	816
Doctorial training grants	1,532	1,532	2,134	2,134
Student receipts in advance	16,632	16,632	12,677	12,677
Grant income (including pooling)	44	44	145	145
Other income with performance conditions	2,229	2,229	2,134	2,134
Research grants received on account	25,120	25,120	16,392	16,392
Other accruals and deferred income	19,478	20,208	15,674	15,035
Service concession arrangement	6,335	6,335	5,733	5,733
	73,571	74,301	55,705	55,066

21. Creditors: amounts falling due after more than one year

	As at 31 July 2019		As at 31 July 2018	
	Consolidated £000	University £000	Consolidated £000	University £000
Unsecured loans	111,173	111,173	111,238	111,238
Cumulative convertible preference shares	95	-	95	-
	111,268	111,173	111,333	111,238

22. Loans

Analysis of unsecured loans:

	As at 31 July 2019		As at 31 July 2018	
	Consolidated £000	University £000	Consolidated £000	University £000
Due within one year (note 20)	960	960	-	-
Due between one and two years	960	960	720	720
Due between two and five years	10,638	10,638	3,418	3,418
Due in five years or more	99,575	99,575	107,100	107,100
Due after more than one year	111,173	111,173	111,238	111,238
Total unsecured loans	112,113	112,113	111,238	111,238
Unsecured loans repayable by 2022	1,257	1,257	1,257	1,257
Unsecured loans repayable by 2023	6,500	6,500	8,000	8,000
Unsecured loans repayable by 2026	4,261	4,261	4,981	4,981
Unsecured loans repayable by 2028	85	85	-	-
Unsecured loans repayable by 2029	2,070	2,070	-	-
Unsecured loans repayable by 2037	37,000	37,000	37,000	37,000
Unsecured loans repayable by 2048	60,000	60,000	60,000	60,000
	111,173	111,173	111,238	111,238

Included in loans are the following:

Lender	Amount £000	Repayments Commence	Interest Rate
Amber Green SPRUCE 2 LLP	6,500	2023	2.00%
Northwestern Mutual Life Insurance	37,000	2037	2.43%
Barclays Bank Plc	60,000	2039	5.06%
SFC (Salix carbon reduction loan)	4,981	2019	-
SFC (Salix original loan)	1,257	2022	-
Lawn Tennis Association	95	2019	-
SFC (Solar farm loan)	2,300	2020	0.25%
Total	112,133		

The Scottish Funding Council (Salix loans) are interest free loans with annual repayments of £720,179.

23. Provisions for liabilities

Consolidated	Obligation to fund deficit on USS pension £000	FSSU Unfunded Pension £000	Defined Benefit Obligations (note 32) £000	Total Pensions Provision £000	Other Provisions £000	Early Retirement Provision £000	Total Other Provisions £000
Balance at 1 August 2018	(20,772)	(3)	(30,555)	(51,330)	(685)	(285)	(970)
Utilised in year	527	3	16,928	17,458	258	197	455
Additions	(40,275)	-	(33,600)	(73,875)	(356)	(180)	(536)
Balance at 31 July 2019	(60,520)	-	(47,227)	(107,747)	(783)	(268)	(1,051)

University	Obligation to fund deficit on USS pension £000	FSSU Unfunded Pension £000	Defined Benefit Obligations (note 32) £000	Total Pensions Provision £000	Other Provisions £000	Early Retirement Provision £000	Total Other Provisions £000
Balance at 1 August 2018	(20,772)	(3)	(30,555)	(51,330)	(685)	(285)	(970)
Utilised in year	527	3	16,928	17,458	258	197	455
Additions	(40,275)	-	(33,600)	(73,875)	(356)	(180)	(536)
Balance at 31 July 2019	(60,520)	-	(47,227)	(107,747)	(783)	(268)	(1,051)

USS deficit

The obligation to fund the past deficit on the University Superannuation Scheme (USS) arises from the contractual obligation with the pension scheme for total payments relating to benefits arising from past performance. Management have assessed future employees within the USS scheme and salary payment over the period of the contracted obligation in assessing the value of this provision.

The adoption of the new deficit recovery plan following the 2017 actuarial valuation has given rise to a significant increase in the deficit provision which has increased from £20.8million to £60.5million. £39.3million of this increase is attributable to the change in the deficit contributions contractual commitment – see also note 8 in respect of significant one-off pension costs and gains.

Since the year-end and following the completion of the 2018 actuarial valuation, a new deficit recovery plan has been agreed. More details on the 2017 actuarial valuation, the 2018 valuation and the associated recovery plans are set out in note 32.

24. Endowment reserves

Consolidated and University	Unrestricted permanent endowments £000	Restricted permanent endowments £000	2019 Total £000	2018 Total £000
Balances at 1 August 2018				
Capital	6,709	66,896	73,605	65,792
Accumulated income	-	4,154	4,154	3,651
	6,709	71,050	77,759	69,443
New endowments	46	6,171	6,217	1,233
Transfers	(162)	(1,543)	(1,705)	(1,923)
Investment income	267	2,594	2,861	2,246
Expenditure	(267)	(1,804)	(2,071)	(1,743)
Increase in market value of investments	646	6,190	6,836	8,503
Total endowment comprehensive income for the year	530	11,608	12,138	8,316
Balances as at 31 July 2019	7,239	82,658	89,897	77,759
Represented by:				
Capital	7,239	77,714	84,953	73,605
Accumulated Income	-	4,944	4,944	4,154
	7,239	82,658	89,897	77,759
Analysis by type of purpose:				
	£000	£000	£000	£000
Chairs and Lectureships	-	20,113	20,113	17,936
Academic Schools / Unit Support	-	6,938	6,938	6,442
Scholarships and Bursaries	-	51,161	51,161	42,377
Prize funds	-	1,711	1,711	1,571
General	7,239	-	7,239	6,709
Endowment Property	-	2,735	2,735	2,724
	7,239	82,658	89,897	77,759

24. Endowment reserves (cont'd)

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

Name of Fund	As at 31 July 2018 £000	New/ Additions £000	Change in market value £000	Transfer of realised appreciation £000	Income £000	Expenditure £000	As at 31 July 2019 £000
United College Chairs	8,939	-	859	(215)	356	(349)	9,590
Lapsed Bursaries Fund	5,875	-	552	(138)	229	(208)	6,310
Robert T Jones Memorial Trust Scholarship	-	5,000	-	-	-	-	5,000
General Unrestricted Fund	3,640	-	350	(88)	145	(145)	3,902
The R&A Ransome Scholarship	2,493	-	238	(60)	98	(101)	2,668
Prof & Mrs Purdie Bequest	2,415	1	14	(4)	37	(179)	2,284
600th Anniversary Endowment Fund	2,229	45	215	(54)	89	(89)	2,435
American Literature Fund	2,035	-	181	(45)	75	-	2,246
PhD Studentships (Anonymous)	1,785	-	160	(40)	67	(50)	1,922
Maitland Ramsay PG Scholarship	1,732	-	146	(37)	61	(30)	1,872
D&G Bonnyman PG Scholarship	1,732	-	160	(40)	66	(43)	1,875
600th Anniversary Scholarship Fund	1,589	60	146	(36)	59	(9)	1,809
Gifford Bequest	1,383	-	107	(27)	45	(38)	1,470
Moncrieff Travelling Scholarship	1,152	-	101	(25)	42	(14)	1,256
Shelby Cullom Davis Chair	1,146	782	109	(27)	45	-	2,055
John & Aileen Irving Fund	1,105	-	97	(24)	40	-	1,218
Barbara Bennett Ure Scholarship	1,090	-	100	(25)	41	(18)	1,188
Harold Mitchell Fellowship	895	-	74	(19)	31	(36)	945
The R&A International Scholarship	859	-	80	(20)	33	(39)	913
St. Mary's Anniversary Appeal	831	-	77	(19)	32	(56)	865
Don Scholarship	829	-	68	(17)	29	-	909
	43,754	5,888	3,834	(960)	1,620	(1,404)	52,732

25. Restricted reserves

Reserves with restrictions are as follows:

Consolidated and University	Unspent capital grants £000	Restricted donations £000	2019 Total £000	2018 Total £000
Balances at 1 August	4,600	6,785	11,385	4,786
New grants	5,410	-	5,410	3,250
New donations	-	2,151	2,151	4,827
Capital grants utilised	(180)	-	(180)	(455)
Expenditure	-	(1,301)	(1,301)	(1,023)
Total restricted comprehensive income for the year	5,230	850	6,080	6,599
Balances as at 31 July	9,830	7,635	17,465	11,385

Analysis of other restricted funds / donations by type of purpose:

	2019 Total £000	2018 Total £000
Chairs and Lectureships	2	2
Academic Schools / Unit Support	2,190	1,511
Scholarships and Bursaries	2,363	2,197
Prize funds	80	75
Capital projects	3,000	3,000
	7,635	6,785

26. Cash and cash equivalents

Consolidated	At 1 August 2018 £000	Cash Flows £000	At 31 July 2019 £000
Cash and cash equivalents	29,071	(4,538)	24,533
	29,071	(4,538)	24,533

27. Capital and other commitments

Provision has not been made for the following capital commitments at 31 July 2019

Consolidated and University	As at 31 July 2019		As at 31 July 2018	
	Consolidated £000	University £000	Consolidated £000	University £000
Commitments contracted for	42,192	42,192	15,809	15,809
Authorised but not contracted for	15,696	15,696	63,321	63,321
	57,888	57,888	79,130	79,130

28. Lease obligations

Total rentals payable under operating leases:

	Land and Buildings £000	Plant and Machinery £000	Total as at 31 July 2019 £000	Total as at 31 July 2018 £000
Payable during the year	407	101	508	471
Future minimum lease payments due:				
Not later than 1 year	373	120	493	493
Later than 1 year and not later than 5 years	703	4	707	1,011
Later than 5 years	1,040	-	1,040	1,025
Total lease payments due	2,523	225	2,748	3,000

29. Events after the reporting period

As set out in note 32 a new Schedule of Contributions based on the 2018 actuarial valuation has been agreed in respect of the USS pension scheme. Using the updated parameters (and assuming no change to the discount rate), this would result in a £34.5million deficit recovery provision – £26.0million lower than the provision included in the financial statements at 31 July 2019.

The deficit provision will be recalculated using the results of the 2018 valuation and an appropriate adjustment reflected in the University's Financial Statements for the year ended 31 July 2020.

30. Amounts disbursed as an agent

Consolidated and University	Year ending 31 July 2019	Year ending 31 July 2018
Discretionary fund	£000	£000
Income		
Excess of income over spend at 1 August	-	-
Funding Council grants	356	353
	356	353
Expenditure		
Disbursed to students	(310)	(320)
Transferred to Childcare Fund	(44)	(32)
Fund running cost	(2)	(1)
	(356)	(353)
Excess of income over expenditure at 31 July	-	-
Childcare fund		
	£000	£000
Income		
Excess of income over spend at 1 August	-	-
Funding Council grants	-	-
	-	-
Expenditure		
Disbursed to students	(44)	(32)
Transferred from Discretionary Fund	44	32
	-	-
Excess of income over expenditure at 31 July	-	-

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.

31. Disclosure of related party transactions

Due to the nature of the University's activities and the composition of Court, (members being drawn from public and private sector organisations), transactions may take place with organisations in particular with similar public bodies, 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 members

of Court are required to complete a register of interests. The register is checked against the University's trade receivable and trade payable ledgers. All transactions in which a member of Court may have an interest, including those identified below, have been conducted at arm's length and in accordance with the University's financial regulations and normal procurement procedures.

Organisation	Income £000	Expenditure £000	Debtor £000	Creditor £000
Pneumagen Ltd	82	-	150	-
St Leonards School	101	17	9	-

32. Pension schemes

The University contributes to two pension schemes for its staff:

- the Universities Superannuation Scheme (USS)
- the St Andrews University Superannuation & Life Assurance Scheme (S&LAS)

a) Universities Superannuation Scheme (USS)

The total cost charged to the statement of income and expenditure is £52.6million (2017/18 – £10.1million). This includes £39.8million increase to the deficit provision as a result of the updated schedule of contributions and £12.8million of contributions, £1.2million of which were outstanding at the balance sheet date (2017/18 – £11.9million and £1.0million respectively).

The latest available complete actuarial valuation of the Retirement Income Builder is at 31 March 2017 (the valuation date), which was carried out using the projected unit method. A valuation as at 31 March 2018 is underway but not yet complete.

Since the institution cannot identify its share of the USS Retirement Income Builder assets and liabilities, the

following disclosures reflect those relevant for those assets and liabilities as a whole.

The 2017 valuation was the fourth valuation for the scheme under scheme-specific funding regime introduced by the Pensions Act 2004, which requires schemes to adopt a statutory funding objective, which is to have sufficient and appropriate assets to cover their technical provisions. At the valuation date, the value of the assets of the scheme was £60.0billion and the value of the scheme's technical provisions was £67.5billion indicating a shortfall of £7.5billion and a funding ratio of 89%.

The key financial assumptions used in the 2017 valuation are described below. More detail is set out in the Statement of Funding Principles.

Pension increases (CPI)	Term dependent rates in line with the difference between the Fixed Interest and Index Linked yield curves, less 1.3% p.a.
Discount rate (forward rates)	Years 1-10: CPI – 0.53% reducing linearly to CPI – 1.32%
	Years 11-20: CPI + 2.56% reducing linearly to CPI + 1.7% by year 21
	Years 21+: CPI + 1.7%

32. Pension schemes (cont'd)

The main demographic assumption used relates to the mortality assumptions. These assumptions are based on analysis of the scheme's experience carried out as part of the 2017 actuarial valuation. The mortality assumptions used in these figures are as follows:

	2019	2018
Mortality base table	Pre-retirement: 71% of AMC00 (duration 0) for males and 112% of AFC00 (duration 0) for females Post-retirement: 96.5% of SAPS S1NMA "light" for males and 101.3% of RFV00 for females	Pre-retirement: 71% of AMC00 (duration 0) for males and 112% of AFC00 (duration 0) for females Post-retirement: 71% of AMC00 (duration 0) for males and 112% of AFC00 (duration 0) for females
Future improvements to mortality	CMI_2016 with a smoothing parameter of 8.5 and a long-term improvement rate of 1.8% p.a. for males and 1.6% p.a. for females	CMI_2016 with a smoothing parameter of 8.5 and a long-term improvement rate of 1.8% p.a. for males and 1.6% p.a. for females

The current life expectancies on retirement at age 65 are:

	As at 31 July 2019 Years	As at 31 July 2018 Years
Males currently aged 65 (years)	24.6	24.5
Females currently aged 65 (years)	26.1	26.0
Males currently aged 45 (years)	26.6	26.5
Females currently aged 45 (years)	27.9	27.8

	As at 31 July 2019 £	As at 31 July 2018 £
Existing benefits		
Scheme assets	£60.0bn	£63.6bn
Total scheme liabilities	£67.5bn	£72.0bn
FRS 102 total scheme deficit	£7.5bn	£8.4bn
FRS 102 total funding level	89%	88%

Key assumptions used are:

	As at 31 July 2019	As at 31 July 2018
Discount rate	2.44%	2.64%
Pensionable salary growth	n/a	n/a
Pension increases (CPI)	2.11%	2.02%

32. Pension schemes (cont'd)

USS – deficit recovery position

The recovery plan in the 2017 actuarial valuation requires employers to contribute 5% of salaries towards repairing the deficit over a period of 14 years. The 2014 valuation (used to calculate the provision in the 2017/18 financial statements) set aside 2.1% of salaries towards the recovery plan. This significant increase in deficit contributions, together with a 61bps fall in the discount rate assumptions has given rise to a substantial increase in the deficit provision which has increased from £20.8million to £60.5million as set out in note 23.

The major assumptions used to calculate the provision over the last two financial years were:

	As at 31 July 2019	As at 31 July 2018
Discount rate	1.58%	2.19%
Salary growth	3.2% ¹	3.1% ¹
	2.2% ²	2.1% ²

¹ for two years; ² thereafter.

Since the year end and following the completion of the 2018 actuarial valuation, a new deficit recovery plan has been agreed. The new plan requires deficit payments of 2% of salaries from 1 October 2019 to 30 September 2021 and then payments of 6% of salaries from 1 October

2021 to 31 March 2028. Assuming all other assumptions used to calculate the provision remain unchanged, this would result in a provision of £13.7million and a revised total comprehensive loss of £9.3million for the year – a reduction of £26.0million from the reported results.

The following sensitivity analysis outlines the potential impact on this revised provision under different scenarios.

	Provision required £000	Increase required £000
0.5% p.a. decrease in discount rate	14,722	974
0.5% p.a. increase in salary inflation over duration	14,708	960
0.5% p.a. increase in salary inflation year 1 only	13,915	167
0.5% increase in staff changes over duration	14,718	970
0.5% increase in staff changes year 1 only	13,918	170
1% increase in deficit contributions from April 2020	19,615	5,867
1 year increase in term	17,272	3,524

b) 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 2018 and updated to 31 July 2019 by a qualified independent actuary. The major assumptions used by the actuary, on the Projected Unit method, were:

Disclosure of principal assumptions	Year ended 31 July 2019	Year ended 31 July 2018	Year ended 31 July 2017
Rate of increase in salaries	3.15% ²	3.05% ²	1.70% ¹
	2.15% ³	2.05% ³	2.50% ²
	-	-	3.05% ³
Pension increases (RPI max 9.00%)	3.20%	3.10%	3.10%
Pension increases (RPI max 2.50%)	2.10%	2.05%	2.05%
Discount Rate	2.25%	2.85%	2.55%
Inflation assumption (RPI)	3.15%	3.05%	3.05%
Inflation assumption (CPI)	2.15%	2.05%	2.05%

¹ for one year; ² for two years; ³ thereafter.

32. Pension Schemes (cont'd)

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 2019 Years	As at 31 July 2018 Years
Retiring today:		
Males	21.1	21.6
Females	23.0	23.5
Retiring in 20 years:		
Males	22.4	22.9
Females	24.5	25.0

The table right shows the effect that changing the most significant assumptions at 31 July 2019 would have had on the defined benefit obligation.

The fair value of the assets of the scheme are:

	Value at 31 July 2019 £000	Value at 31 July 2018 £000	Value at 31 July 2017 £000
Equities	38,233	43,474	41,986
Diversified Growth Fund	44,218	35,009	32,633
Property	4,655	7,211	6,710
Multi-Asset Credit Fund	20,280	18,811	18,095
Other	3,792	941	2,472
	111,178	105,446	101,896

The following amounts were measured in accordance with the requirements of FRS102:

	As at 31 July 2019 £000	As at 31 July 2018 £000
Total fair value of scheme assets	111,178	105,446
Present value of scheme liabilities	(158,405)	(136,001)
Deficit in scheme – Net pension liability	(47,227)	(30,555)

**(Increase)/decrease in
defined benefit obligation
at 31 July 2019
£000**

Increase of 0.25% in the discount rate	7,065
Decrease of 0.25% in the discount rate	(7,556)
Increase of 0.1% in inflation	(1,936)
Decrease of 0.1% in inflation	2,552
Increase of one year in life expectancy*	(5,572)

* Life expectancies would increase from 21.1 years to 22.1 years for a male currently aged 65, and from 22.4 years to 23.4 years for a male currently aged 45.

Each sensitivity above is considered in isolation and the same methodology is adopted for calculating the defined benefit obligation.

32. Pension schemes (cont'd)

	As at 31 July 2019 £000	As at 31 July 2018 £000
Changes in the present value of the defined benefit assets		
Opening fair value of scheme assets	105,446	101,896
Interest income on scheme assets	3,013	2,605
Return on assets in excess of interest income on scheme assets	2,907	972
Contributions by employer	4,296	4,054
Contributions by members	120	106
Benefits paid	(3,853)	(3,658)
Admin expenses paid	(751)	(529)
Closing fair value of scheme assets	111,178	105,446

	As at 31 July 2019 £000	As at 31 July 2018 £000
Changes in the present value of the defined benefit liabilities		
Opening defined benefit liability	136,001	140,163
Current service cost	4,726	4,671
Past service cost	1,568	-
Interest cost	3,901	3,595
Employee contributions	120	106
Actuarial loss / (gain) – change in financial assumptions	18,681	(8,025)
Actuarial gain – change in demographic assumptions	(2,739)	(851)
Benefits paid	(3,853)	(3,658)
Closing defined benefit liability	158,405	136,001

Amounts charged to statement of consolidated income:

Current service cost	4,726	4,671
Past service cost	1,568	-
Administrative expenses	751	529
Total operating charge	7,045	5,200

32. Pension schemes (cont'd)

	As at 31 July 2019 £000	As at 31 July 2018 £000
Net finance charge on pension scheme		
Interest income on scheme assets	3,013	2,605
Interest on pension scheme liabilities	(3,901)	(3,595)
Net charge to other finance income	(888)	(990)

	Year ended 31 July 2019 £000	Year ended 31 July 2018 £000
Analysis of other comprehensive income		
Gain on scheme assets	2,907	972
Actuarial (loss) / gain – change in financial assumptions	(18,681)	8,025
Actuarial gain – change in demographic assumptions	2,739	851
Total actuarial (loss) / gain recognised in SOCI&E	(13,035)	9,848

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

	Year ended 31 July 2019 £000	Year ended 31 July 2018 £000
Deficit on scheme at 1 August	(30,555)	(38,267)
<i>Movement in year:</i>		
Current service cost	(4,726)	(4,671)
Past service cost	(1,568)	-
Administrative expenses	(751)	(529)
Contributions	4,296	4,054
Other finance charge	(888)	(990)
Actuarial (loss) / gain	(13,035)	9,848
Deficit on scheme at 31 July	(47,227)	(30,555)

32. Pension schemes (cont'd)

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

	Year ended 31 July 2019	Year ended 31 July 2018
	17.93%	17.93%

The estimated contribution to be paid to the scheme for the next accounting period is £3.010million (2018: £2.893million). The employer's contribution to be paid next year is based on the current members of the scheme as at 31 July 2019.

History of experience gains and (losses)	2019	2018	2017	2016	2015
Difference between the expected and actual return on scheme assets					
Amount (£000)	2,907	972	5,428	4,151	5,551
Percentage of scheme assets	2.6%	0.9%	5.3%	4.4%	6.3%
Experience gains and losses on scheme liabilities					
Amount (£000)	-	-	-	4,649	-
Percentage of the present value of the scheme liabilities	-	-	-	3.4%	-

With effect from 1 August 2017, the S&LAS scheme changed from a final salary pension scheme to a career-average pension scheme.



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