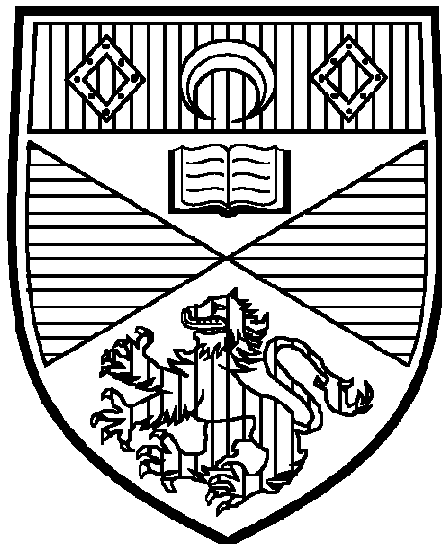


*Reports and Financial Statements
of the University Court
for the year to 31 July 2016*



University
of
St Andrews

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

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MEMBERSHIP OF COURT AND COMMITTEES

The Rector, President
Ms C. Stihler

Senior Governor, Vice-President
Sir E. Brown (until 31 July 2016)
Dame A. Pringle (from 1 August 2016)

The Principal
Professor L. Richardson (until 31 December 2015)
Professor G. Taylor (Acting Principal from 1 January 2016 to 31 August 2016)
Professor S. Mapstone (from 1 September 2016)

Deputy Principal & Master of United College
Professor G. Taylor

The Chancellor's Assessor
Sir E. Brown (until 31 July 2016)
Mr A. Greer (from 1 August 2016)

The Rector's Assessor
Ms A. Newman (until 30 June 2016)
Mr D. Bruce (from 1 July 2016)

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

Assessors of the General Council
Mr K. Cochran
Mr N. Christie

Assessors of the Senatus Academicus
Professor F. Andrews
Dr C. Hooley
Professor J. Naismith
Dr P. Roscoe

Non-Teaching Staff Member
Mr D. Stutchfield

Student Representatives
Mr P. Mathewson, *President of the Students' Association* (until 30 June 2016)
Ms C. Andrew, *President of the Students' Association* (from 1 July 2016)
Mr J. Tantillo, *Director of Representation* (until 30 June 2016)
Mr J. Carr, *Director of Representation* (from 1 July 2016)

Non-Executive Members
Mr K. Dalton
Sir J. Elvidge (until 13 November 2015)
Mr T. Allan (from 14 November 2015)
Mr M. Jones (until 31 July 2016)
Ms P. Chesters (from 1 August 2016)
Professor S. Monro
Mr N. Morecroft
Dr M. Popple
Dame A. Pringle
Professor Sir D. Wallace

Secretary of the Court
Mr A. Merrill

MEMBERSHIP OF COURT AND COMMITTEES

Members

AUDIT & RISK COMMITTEE

<i>Members</i>	<i>Status</i>
Dr M. Popple (Convener)	Non-executive member
Professor S. Monro	Non-executive member
Mr N. Morecroft (until 31 July 2016)	Non-executive member
Ms P. Chesters (from 1 August 2016)	Non-executive member
Mr N. Christie	General Council Assessor
Ms A. Faulds (until 31 July 2016)	Court nominee
Mr J. Lindsay	Court nominee
<i>Vacancy</i> (from 1 August 2016)	Court nominee

Secretary: Executive Officer to Court

GOVERNANCE & NOMINATIONS COMMITTEE

Sir B. Ivory (Convener) (until 30 April 2016)	External convener
Sir J. Elvidge (Convener) (from 1 May 2016)	External convener
Senior Governor	<i>ex officio</i>
The Principal (from 1 September 2016)	<i>ex officio</i>
President of the Students' Association	<i>ex officio</i>
The Quaestor & Factor (from 1 January 2016 to 31 August 2016)	Acting CEO
Mr K. Dalton	Non-executive member
Mr N. Morecroft (until 31 July 2016)	Non-executive member
Professor S. Monro (from 1 August 2016)	Non-executive member
Dr C. Hooley (from 10 November 2015)	Senate Assessor

Secretary: Executive Officer to Court

MEMBERSHIP OF COURT AND COMMITTEES

Members

Status

PLANNING & RESOURCES COMMITTEE

Senior Governor (Convener)	<i>ex officio</i>
The Acting Principal (from 1 January 2016 to 31 August 2016)	<i>ex officio</i>
The Principal (from 1 September 2016)	<i>ex officio</i>
The Quaestor & Factor	<i>ex officio</i>
President of the Students' Association	<i>ex officio</i>
Sir J. Elvidge (until 13 November 2015)	Non-executive member
Mr T. Allan (from 14 November 2015)	Non-executive member
Mr M. Jones (until 31 July 2016)	Non-executive member
Mr A. Greer (from 1 August 2016)	Chancellor's Assessor
Dame A. Pringle (until 31 July 2016, then assumes Senior Governor position)	Non-executive member
Professor Sir D. Wallace	Non-executive member
Professor F. Andrews	Senate Assessor
<i>Vacancy</i> (from 1 August 2016)	Non-executive member

Secretary: Executive Officer to Court

REMUNERATION & HUMAN RESOURCES COMMITTEE

Senior Governor (Convener, until 30 April 2016, then ordinary member)	<i>ex officio</i>
The Acting Principal (from 1 January 2016 to 31 August 2016)	<i>ex officio</i>
The Principal* (from 1 September 2016)	<i>ex officio</i>
Mr N. Morecroft (Convener, from 1 May 2016)	Non-executive member
Mr K. Dalton	Non-executive member
Professor Sir D Wallace	Non-executive member
Ms L. Dalgarno	Court nominee

Secretary: PA to the Chief Legal Officer / Chief Legal Officer

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

CHAIR'S STATEMENT

On behalf of the Court of the University of St Andrews, I am pleased to report another very successful year.

This has been a year of challenge and change. In February, the University was delighted to appoint Professor Sally Mapstone as next Principal of St Andrews. A highly respected scholar with extensive senior management experience at Oxford University, Sally took up post on 1 September and has already made it clear that her leadership will be guided by the tenets of “excellence, inclusivity and fairness.” It is great to have her on board.

We also said sad farewells to two stalwarts of the University who have left a lasting legacy of excellence: Professor Louise Richardson who after 7 years as Principal was appointed Vice-Chancellor of Oxford University; and Sir Ewan Brown, my predecessor, who served with distinction as senior governor of St Andrews for many years.

Sir Ewan noted in last year's accounts that these were times of “unprecedented challenge and upheaval” and that St Andrews' ability not only to survive but flourish was nothing short of remarkable.

It is probably fair to say that few of us expected the unprecedented challenge to which we awoke on June 24th 2016, after the UK voted narrowly to leave the European Union.

St Andrews has been a European University from its inception, founded by French scholars in the tradition of the University of Paris. Any move which risks loosening the closeness of our ties with Europe brings understandable concern, beyond the mechanics of disentanglement, to its impact on research, recruitment, retention and the way our European students and staff feel about being here. We must do everything we can to ensure they continue to play a full part in St Andrews' success.

As I write, The Sunday Times and The Times are preparing to announce that St Andrews is the UK University of the Year for Teaching Quality, and the country's leading University next to Oxbridge. Against the spending power, reputation and reach of many of our competitors, this is a very considerable achievement. In the 2016 National Student Survey, St Andrews is joint top with Keele University, 94% of our undergraduates expressing the highest levels of satisfaction with their academic experience and their teachers.

St Andrews gives the lie to the common claim that a university can be good at research, or teaching, but not both. Achieving a balance of the two, and sustaining that balance, is almost unique. Few others have managed it, and it is one of the qualities which will define us to our advantage in increasingly competitive markets at a time of change and uncertainty.

On the global stage, in 2016 we marked a decade among the top 100 universities in the world. The QS World University Rankings place us 77th this year. Perhaps more significantly in the current context, QS describes St Andrews as the 20th most international university in the world, a reflection of the increasingly diverse nature of our community.

These aspects – size, internationalism, inclusiveness, and the enduring value of our commitment to research-led teaching – are at the heart of our strategic planning, and will be central to the way we approach and manage the challenges of Brexit.

The financial outcomes for the year, which are described in the Operating & Financial Review on pages 8 to 11 were satisfactory. In the current year we will receive around one fifth of our income from the Scottish Government.

CHAIR'S STATEMENT

Our reputation for the highest quality teaching has sustained demand for places amongst Scottish, EU, rest of UK and overseas students. In 2015 we received on average, 11 applications for every available place. In some subjects, the rate is as high as 30 applicants per place.

Our record on supporting and admitting students from poorer backgrounds is stronger than ever. In 2015/16 over a third of our entrant class of Scottish students had access flags on their applications, and our Admissions team are now broadening that widening participation programme to overseas and rest of UK applicants.

Education is the Scottish Government's top priority and it is encouraging that it has met the challenge of varied attainment with purpose rather than rhetoric. For several years, St Andrews was a lone voice in calling for a "society-wide effort" to address poor attainment and the under-representation of disadvantaged groups in higher education. We welcome the fact that the Government is now calling for a "multi-system approach" to attainment which recognises that no one institution, organisation or sector can bring about the change required. We stand ready to play our full part.

In St Andrews itself, the University continues to invest broadly in developments which support its Strategic Plan. It will provide an additional 900 student bedrooms in halls of residence across St Andrews, a development which supports our aim of a modest growth in numbers and aims to alleviate pressure on the housing market in central St Andrews.

In tandem, we will bring forward plans for affordable, rented accommodation for staff and postgraduate students at The Grange on the outskirts of the town.

At Guardbridge, our work to develop a Green Energy Centre to provide clean power to St Andrews continues on schedule, in tandem with an ambitious plan to relocate key members of our professional services teams to a purpose built office environment. This scheme will encourage more effective, collaborative working amongst teams, while freeing space in St Andrews for teaching and research.

This is a new chapter for St Andrews, and I am confident that our university is in excellent hands. We are fortunate to have the loyalty and support of high calibre staff, students and alumni, all determined to ensure that the University continues to excel.

Dame Anne Pringle
Senior Governor
14 October 2016

ACHIEVEMENTS IN THE YEAR

Our determination “ever to excel” has won us many accolades this year, including: top University in the UK for student satisfaction (National Student Survey 2016) and ‘best University in Scotland’ (Complete University Guide 2016).

We continue to attract the best minds and provide an environment where world-leading scholarship can flourish. This year five of our staff were elected to the Young British Academy, five academics joined the Royal Society of Edinburgh, and two professors have been elected Fellows of the British Academy. Our students continue to excel with 28% achieving first class degrees in the academic year 2015/16. Our intellectual community of bright, curious minds has allowed us to develop an exciting reputation for interdisciplinary activity; for example this year a multi-disciplinary team of 50 world-renowned figures, led by scientists at the University of St Andrews, has been awarded a £5.7 million grant to further our understanding of evolution.

Our international presence is enhanced through the establishment of meaningful partnerships with the best overseas institutions; earlier this year Dr Rita Tojeiro of the School of Astronomy led an international team to produce the largest-ever three-dimensional map of the Universe.

As our universe expands, so too does our student population. In 2016-17 we welcome a student population of around 8,800, our largest ever. For overseas students; offers converted better than in previous years, potentially helped by the excellent NSS results in 2016. What’s more the number of applications for PGT programmes from overseas applicants increased this year despite a UK-wide downward trend. This is reflected in an expected 17% increase in PGT students overall.

To achieve this in a complex political climate of unanswered questions post-Brexit is a healthy signal that Scotland’s most international university remains a strong and welcoming centre of ideas.

University Ranking and League Tables

- The Guardian University Guide – top in Scotland, 3rd in UK (same as last year)
- The Sunday Times University Guide – top university in Scotland and 3rd in the UK (up from 4th last year) and top in the UK for teaching quality
- The Complete University Guide – 1st in Scotland and 5th in UK (same as last year)
- The National Student Survey – top in Scotland, joint top with Keele in UK (up from joint 3rd in Scotland and 35th in the UK)
- The Times Higher University World Rankings – 86th (up from 111th)
- The QS University World Rankings – 77th (down from 68th) marking 10 years as one of the world top 100 universities

Research and Innovation

- St Andrews Physicists are part of an international team which has developed a new technique for delivering light deeper into human tissue than previously possible. The process, called photochemical tissue bonding, could help heal wounds faster and treat tumours more efficiently.
- An international study, led by St Andrews health researchers, has revealed that young people in Scotland have some of the highest rates of health and social inequality in Europe and North America.

ACHIEVEMENTS IN THE YEAR

Research and Innovation (Cont'd)

- The University is running a series of public events to celebrate the 500th anniversary of epic Italian poem Orlando Furioso – one of the longest poems in European literature and one of the most influential works in Western culture – raising awareness of the poem and the literature it has influenced.
- A new super-resolution microscope adapted by physicists at the University could allow doctors to diagnose kidney diseases faster and for less cost.
- Scotland's data revolution took a step forward this year with the launch of Scotland's first Engineering Doctorate (EngD) in Computer Science. By connecting research engineers with industry sponsors the programme will apply cutting-edge analytics and data science to problems facing industry.

Building Tomorrow

- The University is to build a state of the art marine biology lab at East Sands in St Andrews. The new facility will provide a global hub for marine research focused on conservation and understanding the effects of climate change on the world's oceans.
- The opening of a new isotope geochemistry laboratory promises to advance our understanding of the early solar system, the great secrets of Earth's evolution, and past and present climate change.
- The University is planning to spend over £70 million in student housing in a move which will provide 900 additional bed spaces and refurbish large areas of its existing residences.
- After years of planning and preparation the Guardbridge biomass plant is starting to take shape and will be operational by the end of the year.
- Following the completion of the new sports hall in December 2015, the next phase of the Sports Centre redevelopment will involve refurbishing the current building, converting the present facilities into a new 130-station fitness suite and reallocating space to create a new strength and conditioning suite, which will be amongst the best in Scotland.

Living and Working Here

- The University of St Andrews has been awarded a Bronze University Award by the Athena SWAN Charter for women in science.
- We have also introduced a workplace coaching programme which now runs as a collaboration with the University of Aberdeen.
- Following high levels of demand at the launch events earlier this year we now have 50 members of staff signed up to our Passport to Health and Wellbeing Excellence.
- A new drive to inspire women to strive for the top jobs in higher education, led by Dr Aileen Fyfe of the School of History, Professor Ineke De Moortel of the School of Mathematics and Professor Sharon Ashbrook of the School of Chemistry, is showcasing the careers of successful female academics in a newly published booklet.

OPERATING & FINANCIAL REVIEW

Preparation of the financial statements

The financial statements for the year to 31 July 2016 have been prepared in accordance with the Statement of Recommended Practice: Accounting for Further and Higher Education (SORP) - which has been revised in accordance with the Financial Reporting Standard FRS102, and the Scottish Funding Council's (SFC) annual Accounts Direction. The revised SORP has resulted in significant changes to accounting policies and the comparative figures for the year ending 31 July 2015 have been restated accordingly. The impact on previously reported surpluses and reserves is contained in note 31.

As noted in the statement of principal accounting policies on page 26, the financial statements have been prepared on a historical cost basis as modified to include investments and derivative financial instruments at their market value.

Results for the year

Total income decreased by 0.9% to £221.4 million and the surplus for the year was £10.9 million (£15.0 million in 2014/15). The main reason for the year on year decrease in reported income is due to the timing of large capital grants. Under FRS102, grant income is recognised in full when the University is entitled to the income and the performance conditions have been met. This is a substantial change to accounting measurement and will inevitably result in income volatility. In 2014/15 the University received £9.2 million of capital funding from the Scottish Funding Council (SFC), compared to £2.8 million in the current year. The majority of the funding received in the prior year related to the construction of a green-energy biomass plant at Guardbridge with the facility expected to come on stream in January 2017.

There were two material non-recurring items included within the results for the year. £6.4 million of research income (and a related £1.4 million tax charge) have been accrued as part of a corporation tax claim relating to the Research and Development Expenditure Credit (RDEC) scheme. In addition, around £5.7 million of 'other income' relates to service concession arrangement adjustments required under the new SORP to reflect the construction and operation of new residences at Fife Park which were completed in conjunction with a development partner. This income has been offset by depreciation and accruals and has no material effect on the surplus.

Grants received from the SFC totalled £40.0million, representing 18.1% of total income, which is down from 22.5% in 2014/15. This reflects both the growth in the University's income from other sources, combined with the final part of the phased withdrawal of funding by the Scottish Government for students from the rest of the UK (RUK) and a reduction in capital grants outlined above.

Tuition fee income increased by 10.3% to £85.3 million, reflecting the final year of funding responsibility being transferred from Government to individuals across the rest of the UK, coupled with growth in income from overseas undergraduates and postgraduates. Whilst St Andrews continues to be very successful in attracting high quality overseas students, universities across the UK see the overseas market as a source of growth to help counteract the restrictions on UK supported places, and hence competition to attract these students is increasing. The University's strategy is to ensure it maintains its excellent standards and reputation in order to continue to attract the very best students from around the world.

Research income has increased by 7.3% to £45.1 million and includes £6.4 million of accrued RDEC income as noted above. Underlying research has fallen by around £3.3 million with lower than expected research council awards and delays in starting awarded grants resulting in a disappointing fall in research income and activity.

OPERATING & FINANCIAL REVIEW

Results for the year (Cont'd)

Other income decreased by £3.4million from last year's exceptionally high figure of £48.9 million. Included in last year's figures was a £7.5 million one-off facilitation fee relating to the construction of student accommodation as well as around £1.9 million of income relating to The Open Golf Championship which is usually held in St Andrews every five years. Adjusting for these exceptional items, the underlying income figure is very positive with increases in residence income across the year, academic conferences, increases in partnership funding of activities and also positive foreign exchange movements.

Investment income, which helps to support widening access and provide accommodation support through the funding of scholarships, has increased by 32.5% to £1.4 million with much of the increase being driven by higher returns on long-term investments. Interest earned on shorter term cash and deposit balances stayed static during the year at around £0.4million.

Staff costs have decreased year on year by £6.7 million to £117.1 million. This is due to £11.9 million of USS pension provision costs being included in the restated 2014/15 salary figures. The USS pension provision is a requirement of the new SORP and represents the existing obligation to pay into an agreed deficit recovery plan for the scheme. Adjusting for movements on the USS pension provision, the underlying salaries cost has increased by £5.5 million (4.9%) much of which relates to nationally negotiated pay scale increases, investment in areas of strategic growth and the filling of vacancies.

Other operating expenses and depreciation increased by £4.2 million and £1.3 million respectively. Around £5.0 million of the increase in these two areas relates to the service concession arrangement noted above. The remaining increase was due predominately to increased estate maintenance and scholarship costs, both of which support the strategic direction of the University.

Actuarial adjustments relating to the local defined benefit pension scheme which were previously reported within the Statement of Total Recognised Gains & Losses (STRGL) are shown on the face of the income and expenditure account under FRS102. Continuing falls in corporate bond yields – the prescribed method of valuing pension liabilities – have resulted in a £13.7 million charge for the year. It should be noted that on a cash basis, the local pension scheme to which this relates is 97% funded and the deficit has fallen to an estimated £3.0 million, well ahead of the expected recovery plan position.

Net assets decreased by £4.2 million to £271.9 million with £15.3 million of this adverse movement due to increased USS and local pension scheme liabilities. Excluding these movements, net assets have increased by £11.1 million which relates mainly to capital investment and endowment fund appreciation offset by increased loan funding for the biomass plant investment.

The University continues to invest heavily in the estate with tangible fixed assets growing by £21.2 million in the year. Much of the spend was around improving facilities for students - particularly in sport - and in order to reduce our reliance on fossil fuels by constructing a biomass plant to provide heat to a large section of the University campus on a renewable basis. The biomass plant is being funded in part by a Scottish Funding Council grant received last year and part from an £11.0million loan from the European Investment Bank via the Scottish Partnership for Regeneration in Urban Centres fund. Cash and short term investment balances decreased slightly by £0.7 million as the pre-funding for this major capital project was utilised. Long term investments (primarily endowment funds) increased in value by £5.3 million which contributed to the stronger balance sheet position. Our endowment funds are invested in socially responsible funds and more information on this can be found in our Corporate Sustainability Report on page 21.

OPERATING & FINANCIAL REVIEW

Key Performance Indicators

The University measures its performance against a set of six Key Performance Indicators (KPI's) covering Research; Learning, Teaching and Student Experience; Financial Stability; Staff; Infrastructure and Reputation.

Performance against target is reported via the Planning and Resource Committee to Court on a quarterly basis using a Red, Amber, Green (RAG) system which allows Court members to focus on areas of concern. In 2015/16 particular attention was given to research performance as an area of recurring concern, and management were challenged to make improvements within this strategically important area.

Further details regarding Court, including minutes of the quarterly meetings are available via the [University website](#).

Principal risks and uncertainties

The planned operating surplus of the University shows a stable and then increasing level from 2018/19, based on a set of clear assumptions around growth, Government support and targeted investment. However, there are several specific areas of risk which must be taken into account:

- The recent Brexit vote and the resulting uncertainty will undoubtedly impact the University's operations, but how and to what extent is simply unknown at this stage. University management are monitoring the situation closely and have developed a high level action plan in order to mitigate some of the risks indicated in this scenario planning. Much will depend on decisions taken at UK and Scottish Government level;
- The University's longer term financial strategy depends on growth in student numbers. 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 as well as continuing the search to identify the brightest minds from areas where we have not previously seen much traction;
- Space utilisation and teaching efficiencies depend on the development and implementation of innovative teaching methods such as the virtual learning environment. Failure to embrace and adopt these technologies could limit the ability to increase the size of the student body, who could subsequently be restricted by the physical capacity of the University;
- 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;
- The Scottish Funding Council 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 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;
- Pay negotiations, which are carried out at a UK level, will continue to be a risk due to the growing gap between headline inflation, restrictions on income growth and affordable pay offers.

OPERATING & FINANCIAL REVIEW

Looking forward

Although the £10.9 million total surplus for 2015/16 was above expectations, it was boosted by a number of non-recurring items. Court is committed to managing pay costs, realising efficiency savings and increasing research income to safe-guard longer-term financial sustainability.

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

Andrew Goor
Director of Finance
14 October 2016

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.

RESPONSIBILITIES OF COURT

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;
- comprehensive Financial Regulations, detailing financial controls approved by Court on the recommendation of the Planning & Resources Committee;
- an Audit & Risk Committee whose terms of reference are laid along with all Court Committees and which are summarised on pages 15 to 17.
- 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;

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

CORPORATE GOVERNANCE

The University is committed to best practice in all aspects of corporate governance, and bases its approach and standards on the principles and supporting guidelines established in the Scottish Code of Good HE Governance (the Code), which came into effect on 1 August 2013. This is supplemented, where appropriate, by the UK Committee of University Chairs Higher Education Code of Governance, updated in December 2014.

Compliance with best practice

Following the implementation of the recommendations of an Internal Audit report carried out at the beginning of 2015, the University is compliant with both the main principles and supporting guidelines in the Code, and is contributing actively to the ongoing review of the Code led by the Leadership Foundation for Higher Education. Work is in hand to further develop and adopt best practice procedures as part of a commitment to ongoing improvements in Corporate Governance. This includes a review of Court effectiveness planned for 2017, as well as the development of an action plan to ensure compliance with the provisions of the HE Governance (Scotland) 2016 Act when these come into force.

Governance structures

Court, which is the governing body of the University, derives its authority from Acts of Parliament which, *inter alia*, vest in Court the administration of all property and revenues of the University and give it the power to review the decisions of the Senate. Court thus has overall responsibility for the governance of the University, including all aspects of strategic planning and management of all resources, whether financial, human or physical. The Statement of Primary Responsibilities can be found in section 2.3 of the Court Handbook.

<https://www.st-andrews.ac.uk/media/core/documents/about/court/university-court-handbook.pdf>

Court agreed the University Strategy for the period 2015-2025 in April 2015. Progress on the delivery plan for the Strategy is regularly monitored by Court, along with an agreed suite of Key Performance Indicators.

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

CORPORATE GOVERNANCE

Court had four regularly scheduled meetings during the year ended 31 July 2016, one of which was linked to a strategic planning session. In addition two extraordinary meetings were held in relation to the recruitment of the new Vice Chancellor of the University. The overall attendance rate was 93%. 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 an independent member 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 elects from amongst its lay members a Senior Governor, who presides over Court in the Rector's absence. 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. These arrangements will be reviewed in future years to take account of the introduction of the post of Senior Lay Member required by the HE Governance (Scotland) 2016 Act.

The Court Committees and related Assurance Groups are:

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

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

The **Audit & Risk Committee** consists of 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 2016. All meetings were quorate and the overall attendance rate was 87%. The Committee reviews the audit of the University's annual financial statements and keeps under review (a) policies, procedures and regulations in respect of the University's assets (including its special collections), and (b) financial controls, accounting procedures, the application of accounting standards, and routine arrangements for the investigation of questions of financial irregularity or impropriety. In addition, it considers all matters relating to the internal and external audit of the affairs of the University and of those companies controlled by Court. In this capacity it receives reports from the internal and external auditors. As noted above, the Committee has responsibility for monitoring risk and receives regular reports from the University's Risk Management Group. It also has oversight of the University's complaints, counter-fraud and whistleblowing policies. Whilst senior executives attend meetings of the Audit & Risk Committee as necessary, they are not members of the Committee; and the Committee has the opportunity to meet with the internal or external auditors in the absence of University staff.

CORPORATE GOVERNANCE

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

The **Governance & Nominations Committee** advises Court on any matter pertaining to the execution of its governance functions, including the appointment and role of Court's Senior Governor; identifies and recommends persons for membership of Court; makes recommendations to Court with regard to (a) the overall structure of University committees and (b) the remit and Court-nominated membership of such committees; and recommends to Court how it should be represented, as necessary, on external or internal bodies. It is also responsible for initiating effectiveness reviews of Court's activities. It is convened by an independent chair, selected from outwith the membership of Court. The Committee held three scheduled meetings and one extraordinary meeting dealing with appointments to Court in the year ending 31 July 2016. All meetings were quorate and the attendance rate was 100%.

The **Planning & Resources Committee** (PARC) reviews the annual budget and financial forecasts of the University, and the levels of residential, tuition and other fees charged to students; reviews regularly during the year actual income and expenditure as compared with budgeted levels; monitors the level and cost of the University's borrowings and the extent of other liabilities; and reviews and makes recommendations on individual financial decisions which due to their size or nature are reserved for Court. It is also empowered to take individual financial decisions in accordance with limits prescribed in the Standing Financial Instructions. In respect of its strategic planning and development responsibilities, Court receives recommendations and advice from PARC. PARC also keeps under review and reports to Court on the University's external fundraising. PARC is chaired by the Senior Governor. The Committee held four scheduled meetings in the year ending 31 July 2016. All meetings were quorate and the attendance rate was 95%.

CORPORATE GOVERNANCE

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 & Human Resources Committee** ensures that the University's responsibilities as an employer are being properly managed and approves remuneration arrangements for University staff above defined thresholds. It receives, considers and approves the recommendations of the Principal in relation to the remuneration of all staff whose salary progression does not represent standard progression with regard to a recognised salary scale; receives and considers information from the Principal on all severance arrangements and approves the recommendations of the Principal on specific arrangements which involve University expenditure in excess of £80,000; determines, through its independent members, the remuneration of the Principal; and takes a general overview of all of the above, or any related, matters in order to ensure the exercise of appropriate financial control and of reasonable employer behaviour in remuneration or severance arrangements. The Committee provides each autumn an annual report to the University Court detailing salary changes for senior staff, appropriately anonymised.

More widely with regard to University staff, the Committee also receives, reviews, approves and monitors the University's strategic objectives in respect of its staff, including the promotion of the equality and diversity agenda; considers, encourages and reviews the effectiveness of staff policy initiatives; receives updates on succession planning within the University's senior management team; reviews the effectiveness and performance of the Human Resources activities; and monitors compliance and risk management with respect to employment law and practice. The Committee held three scheduled meetings, all quorate, in the year ending 31 July 2016. The attendance rate was 96%.

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 made publicly available on the University website.

Sustainability

Sustainability is delivered through the University strategy 2015-25, approved by Court in spring 2015 and accessible at <http://www.st-andrews.ac.uk/staff/policy/planning/> . The Strategy is supported by a Delivery Plan where each strategic objective is translated into a series of workstreams, each owned by a member of the Executive Team and underpinned by specific projects and activities. Where appropriate, individual workstreams are mainstreamed into the forward programmes of Court Committee activity, and overall progress against the Delivery Plan is monitored quarterly by PARC and Court. In addition, the University has a comprehensive set of Key Performance Indicators covering all main areas of business and linking closely to the Strategic Objectives. These also form a standing item on PARC and Court agendas. The University's comprehensive approach to risk management is overseen by the Audit and Risk Committee and managed internally by the Risk Management Group, chaired by a Vice Principal. Risks are attributed risks to both KPIs and Strategic Objectives and the effectiveness of controls and mitigating actions is systematically monitored.

Equal Opportunities

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, members of the University. 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 actively seeks ways to ensure that such individuals are not disadvantaged in their career development by factors relating to their personal circumstances.

<http://www.st-andrews.ac.uk/media/human-resources/equality-and-diversity/Equality%20&%20Diversity%20Inclusion%20Policy.pdf>

In compliance with updated equalities legislation, the University has in place a published Single Equalities Outcome Scheme with an Action Plan for the period 30 April 2013 to 30 April 2017. Two senior academic members of the Principal's Office have been appointed as Equality and Diversity Champions, and an Equalities and Diversity Forum meets bimonthly to oversee the implementation of the Action Plan. Progress reports on the implementation of the Single Equalities Outcome Scheme, Equality Mainstreaming and tackling the gender pay gap were published on 30 April 2015. Further reports will be published in 2017. Equalities issues are regularly discussed at the Joint Negotiating Committee with recognised Trade Unions, as well as at the Remuneration and HR Committee.

In line with the University's Equality Statement, to ensure fairness of employment of disabled persons, the Single Equality Outcomes Scheme contains a specific Equality Outcome 4: "The University aims to meet the short and long term needs of people with access or impairment related requirements, in order to improve the experiences in all environments." This acts as an on-going strategic action for University staff to be treated fairly, with "reasonable adjustments" in place to meet their needs to excel in their career at the University.

The University submitted its application to renew its Athena SWAN Institutional Bronze Award to the Equality Challenge Unit in April 2016. All STEMM Schools bar one have now been successful in applying for Athena SWAN or JUNO awards. The University also holds the Stonewall Diversity Champion and Carer Positive Employer awards.

CORPORATE GOVERNANCE

Gender balance on Court and its committees is regularly monitored, and applications from women and other under-represented groups are proactively sought in recruitment exercises and elections for Court positions as well as more broadly in University appointments and promotions processes. Success rates in attracting such applicants are benchmarked against other institutions where information is available. With the appointment of the University's second female vice-chancellor and the election of a female senior governor from August 2016, the three key posts in University governance – the Rector, the Senior Governor and the Vice Chancellor – are all occupied by women.

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 are set out in the table below.

Training	Date	Member
GDP: Student & Staff as Governor Scotland	1 October 2015	Ms Catherine Stihler
Ernst & Young training on Corporate Governance	22 October 2015	Prof Stuart Monro
Ernst & Young training on Corporate Governance	22 October 2015	Mr Jim Lindsay
Ernst & Young Higher Education Audit Committee Workshop	5 November 2015	Prof Stuart Monro
Ernst & Young Higher Education Audit Committee Workshop	5 November 2015	Mr Jim Lindsay
Audit Committee Institute, Winter Update: Calibrating Strategy and Risk, a Board perspective	25 November 2015	Prof Stuart Monro
Audit Committee Institute, Winter Update: Calibrating Strategy and Risk, a Board perspective	25 November 2015	Dr Mary Pople
Court induction completed	December 2015	Dr Philip Roscoe
Court Induction completed	December 2015	Mr Tim Allan
Court Induction completed	December 2015	Mr Adrian Greer
Court induction completed	January 2016	Ms Pam Chesters
Impact of Investment – University of Edinburgh Business School	14 January 2016	Prof Stuart Monro
Investing in Innovation - RSE	1 March 2016	Prof Stuart Monro
Governor Toolkit, London	10 March 2016	Mr Tim Allan
Ernst & Young Scotland: Public Sector Independent Directors' Programme	3 May 2015	Prof Stuart Monro
Attended 60 hours of Chinese at the Edinburgh Confucius Institute, with at least the same amount of further private study. Active in promoting awareness of unconscious bias in the awards committees of the Institute of Electrical and Electronics Engineers (IEEE).	2015-16	Prof Sir David Wallace

CORPORATE GOVERNANCE

Payment of creditors

It is the University's policy to obtain the best terms for all business and thus there is no single policy as to the terms used. In agreements negotiated with suppliers, the University endeavours to adhere to specific payment terms. The average creditor payment period, calculated as a proportion of the year-end creditors to aggregate amounts invoiced during the year, was 28.9 days (2014/15 29.2 days; 2013/14: 26.1days).

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 2013 Code, maintain a sound system of internal controls, and apply the key principles of effective risk management.

Alastair Merrill
Vice-Principal (Governance & Planning)
14 October 2016

CORPORATE SUSTAINABILITY REPORT

This report summarises some of the key sustainability aspects addressed during the year.

Energy and Carbon Management

The University has a strategic goal to become carbon neutral for its energy use. To this end it has a 3-part Energy Strategy to change individual's behaviours; to invest in energy efficient systems and devices; and deploy renewable technologies. The University has spent £4.0 million through its Salix energy investment fund since 2007, delivering carbon savings of over 70,000 tonnes across 180 individual projects. The construction of a 6.5MW biomass boiler and district heating scheme located at the former paper mill at Guardbridge is almost complete, however the project to deliver a 12MW wind farm at Kenly has been delayed. It is not clear at this stage if and when this development of Kenly will proceed. These two projects are expected to generate carbon emissions reductions in the order of 29,000 tonnes per annum and would have enabled the achievement of the strategic goal of carbon neutrality for energy use.

Year on year electricity usage is up by 13% and gas usage is down by 4%. This is due to one of the existing CHP systems being taken off in advance of the transition over to the new biomass plant. The CHP will be relocated to priority areas in the University as appropriate. Significant investment in new boilers in a number of different buildings this year, together with the biomass coming on stream in early 2017 should reduce next year's utility consumption significantly. Over the year, gas costs have reduced by 8% but electricity costs increased by 10.0%. Water consumption reduced by 4% and overall University carbon emissions have reduced by 8% when compared to 2014/15.

Waste Management

The amount of waste recycled remains unchanged at 75%, with 72% recycled and 3% reused. Total waste arisings have decreased as has the overall amount sent to landfill. However, waste costs continue to rise due to the increased cost of disposal to landfill alongside rising contractor fuel costs.

Resource efficiency was implemented through a number of positive initiatives including supplier take-back schemes and WARPit - a resources redistribution scheme for staff. This saved 38 tonnes of carbon by diverting waste from landfill and saved £73k on reduced procurement spend.

Behaviour Change & Community Engagement with Sustainability

Over 50 staff have graduated from the Environmental Facilitator training programme, and are now working to help promote positive environmental behaviours within their schools and units. This year's Green Week saw 28 events being held across a range of low carbon activities including tree planting, upcycling, beach cleans, skillshare sessions and Fairtrade coffee mornings, with students, staff, and the local community getting involved. The University was highly commended in the Public Sector Sustainability Awards for best waste/recycling Green Raisin Competition, engaging students in waste reduction at their traditional event Raisin Monday. Work continues on the Edible Campus project, one of the largest campus based food growing schemes in the country, and the StAndRe-use recycling scheme, whilst new links to St Andrews Botanical Garden are being forged to create a permanent community use skill-share space on the site.

Behaviour Change & Community Engagement with Sustainability (Cont'd)

Transition University of St Andrews is part of the University that supports students, staff and local residents in projects and actions to reduce carbon footprints by practical sustainable activities. The group made successful applications to the Climate Challenge Fund, Zero Waste Scotland and Smarter Choices Smarter Places enabling it to bring its staff team up to seven (mainly part time staff) and deliver a range of infrastructure and services across the University and Town. Their Bike Pool project ran over 50 bike maintenance sessions this year fixing over 640 bikes whilst training 25 people as mechanics and upgrading 70 bikes for long term rental to students. The group also gained funding to investigate a Crail to St Andrews Bike path and helped deliver a free Park and Pedal scheme from Guardbridge during the road closure. Work continues on the Edible Campus project, one of the largest campus based food growing schemes in the country, and the StAndRe-use recycling scheme, whilst new links to St Andrews Botanical Garden are being forged to create a permanent community use skill-share space on the site.

Sustainable Development related teaching and research

The University of St Andrews has a focus on sustainability in research, teaching and practice. With regards to research, several units and centres across the University contribute to our understanding of sustainability and explore practical solutions to sustainability challenges, including but not limited to St Andrews Sustainability Institute, Centre for Biological Diversity, Scottish Oceans Institute, Centre for Housing Research, Centre for Research into Ecological and Environmental Modelling, the Institute for Environmental History and the Centre for Social and Accounting Research. Collaboration with national and international academics and non-academic partners expands the scope of our impact.

Recent research outcomes include a report for the Scottish Government to inform the implementation of the Sustainable Development Goals, contributions to sustainability governance of oceans, new consideration of energy meaning in homes, households and communities and insights on glacier shifts in response to climate change. Learning for sustainability manifests in specialist programmes such as the Sustainable Development (SD) undergraduate and postgraduate programmes, but is also an integral part of programmes in Biology and Management. Particular modules (such as the Honours option Sustainable Development and Management) and the use of sustainability examples in courses are encouraged, within Green Week and at other times.

The University is unusual in the development of links across research, teaching and practice, with institutional representatives lecturing on our University strategies, Transition community engaging students and students doing projects with practical relevance. Our merit in sustainability scholarship is recognised, for example through our invitation to showcase our SD programmes to EAUC workshops and to international visitors (e.g. from Chile); and we won a Green Gowns Highly Commended for a student engagement project within Transition.

The School of Management and the Centre for Social and Environmental Accounting Research have undertaken a systematic evaluation of Scotland's current implementation of the United Nations Guiding Principles on Business and Human Rights (UNGPs). The UNGPs are an internationally recognised standard for addressing the impact of business activity on human rights – for example, as the result of discrimination, the use of forced, child and 'sweatshop' labour, hazardous health and safety conditions or environmental pollution. The Scottish Government funded project will inform the development of a National Action Plan (NAP) on business and human rights by helping to identify, prioritise and select a range of measures to be included in the NAP.

Sustainable Investment

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

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

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

There were no infringements of environmental legislation during the year and no enforcement notices were issued.

Student campaigning and charity work

Charitable fundraising and volunteering continue to be a vital part of student life in St Andrews. The Students' Association's dedicated Charities Campaign fundraises throughout the year to support its three student-elected charities and support the broader charitable efforts of the Students' Association. For 2015/16 the charities selected were Maggie's Fife, UNICEF and Nightline) which benefitted from the £62,331.53 raised by the Charities Campaign over the past academic year, combining to the University charitable total of £102,490.74. Of the 160+ student societies of the Association, most partake in fundraising events or activities throughout the year, raising awareness of the broad number of causes championed in the daily lives of staff, students, and the local community in St Andrews. Several of our subcommittees also focus upon charitable aims, including our Community Relations team and even our Debating subcommittee, which regularly teaches debating and holds public speaking workshops in local schools.

The Association's Charities Campaign is also growing to such an extent that other Universities and Student Associations' have begun to use it as a model for their own fundraising bodies. Race2, the sponsored hitch-hike to Europe, raised £35,000, and Raising and Giving Week raised just under £20,000 and was shortlisted for the best medium sized RAG Team of the year. In terms of volunteering, this year saw more volunteering hours across the Students' Association's dedicated Volunteering Subcommittee, with projects helping the elderly, town and gown relations, young people and animal welfare groups all continuing into the next session.

Derek Watson
Quaestor & Factor
14 October 2016

INDEPENDENT AUDITOR'S REPORT TO THE COURT OF THE UNIVERSITY OF ST ANDREWS

We have audited the Consolidated and University financial statements for the year ended 31 July 2016 which comprise the Statement of Principal Accounting Policies, Consolidated Statement of Comprehensive Income and Expenditure, Consolidated and University Statement of Changes in Reserves, Consolidated and University Balance Sheet, Consolidated and University Cash Flow Statement and the related notes 1 to 31. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) including FRS 102 'The Financial Reporting Standard applicable in the UK and the Republic of Ireland'.

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

Respective responsibilities of Court and Auditor

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

Scope of the audit of the financial statements

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

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

In addition, we read other information contained in the Report of the University Court, being the Chair's Statement, Achievements in the Year, Operating & Financial Review, Responsibilities of Court, Corporate Governance Statement and Corporate Sustainability Report, to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

INDEPENDENT AUDITOR'S REPORT TO THE COURT OF THE UNIVERSITY OF ST ANDREWS

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of affairs of the Group and of the University as at 31 July 2016, and of the surplus of the Group's income over expenditure and the Group's cash flows for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice including FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' and with the Statement of Recommended Practice: Accounting for Further and Higher Education; and
- have been prepared in accordance with the requirements of the Charities and Trustee Investment (Scotland) Act 2005 and the Charities Accounts (Scotland) Regulations 2006 (as amended).

Opinion on other matters prescribed by applicable regulations

In our opinion;

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

Matters on which we are required to report by exception

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

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

The maintenance and integrity of the **University of St Andrews** 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.

Ernst & Young LLP
Registered auditor
Glasgow
14 October 2016

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

STATEMENT OF PRINCIPAL ACCOUNTING POLICIES
For the year ended 31 July 2016

Statement of Principal Accounting Policies

Basis of preparation

These financial statements have been prepared in accordance with the Statement of Recommended Practice: Accounting for Further and Higher Education 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 2016. 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.

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 income and expenditure account 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 recognised as deferred income within creditors on the balance sheet and released to income as conditions are met.

STATEMENT OF PRINCIPAL ACCOUNTING POLICIES
For the year ended 31 July 2016

Donations and endowments

Non-exchange transactions without performance related conditions are donations and endowments. 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 general 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 schemes are defined benefit schemes which are externally funded and contracted out of the State Second Pension (S2P). 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, in substance by the University. The University will recognise a liability for its obligations under defined benefit plans, net of plan assets.

The USS Scheme

The USS is a multi-employer scheme for which it has not been possible to identify the assets and liabilities to University members due to the mutual nature of the scheme and therefore this scheme is accounted for as a defined contribution retirement benefit scheme. Obligations for contributions to defined contribution pension plans are recognised as an expense in the income statement in the periods during which services are rendered by employees.

A liability is recorded within provisions for any contractual commitment to fund past deficits within the USS scheme.

STATEMENT OF PRINCIPAL ACCOUNTING POLICIES
For the year ended 31 July 2016

Retirement benefits (Cont'd)

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.

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

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.

Finance Leases

Leases in which the University assumes substantially all the risks and rewards of ownership of the leased asset are classified as finance leases. Leased assets acquired by way of finance lease and the corresponding lease liabilities are initially recognised at an amount equal to the lower of their fair value and the present value of the minimum lease payments at the inception of the lease.

Minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

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.

STATEMENT OF PRINCIPAL ACCOUNTING POLICIES
For the year ended 31 July 2016

Foreign currencies (Cont'd)

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 is reviewed periodically by an independent expert valuer and the accumulated and future depreciation adjusted accordingly.

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

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

STATEMENT OF PRINCIPAL ACCOUNTING POLICIES
For the year ended 31 July 2016

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.

STATEMENT OF PRINCIPAL ACCOUNTING POLICIES
For the year ended 31 July 2016

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 payable to the University.

Financial Instruments

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.

STATEMENT OF PRINCIPAL ACCOUNTING POLICIES
For the year ended 31 July 2016

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.

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

The key assumptions made in deriving these figures are explained in detail in note 30

Transition to 2015 SORP

The University is preparing its financial statements in accordance with FRS102 for the first time and consequently has applied the first time adoption requirements. An explanation of how the transition to the SORP 2015 has affected the reported financial position, financial performance and cashflows of the consolidated results of the University is provided in note 31.

Application of first time adoption grants certain exemptions from the full requirements of SORP 2015 in the transition period. In line with these transitional arrangements, fair value has been used for the deemed cost of land and selected heritage assets.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME AND EXPENDITURE
For the year ended 31 July 2016

	Notes	As at 31 July 2016		As at 31 July 2015	
		Consolidated £000	University £000	Consolidated £000	University £000
Income					
Tuition fees & education contracts	1	85,263	85,263	77,314	77,314
Funding body grants	2	40,046	40,046	50,246	50,246
Research grants & contracts	3	45,054	45,054	42,003	42,003
Other income	4	45,492	39,852	48,878	42,427
Investment income	5	1,375	1,477	1,038	1,038
Total income before endowments and donations		217,230	211,692	219,479	213,028
Donations and endowments	6	4,156	4,859	3,933	5,372
Total income		221,386	216,551	223,412	218,400
Expenditure					
Staff costs	7	117,096	114,741	123,845	121,475
Other operating expenses		75,105	72,459	70,904	67,909
Depreciation	11	14,852	14,846	13,526	13,445
Interest and other finance costs	8	5,610	5,610	4,984	4,984
Total expenditure	9	212,663	207,656	213,259	207,813
Surplus before other gains/losses		8,723	8,895	10,153	10,587
Gain on disposal of assets		398	408	352	352
Gain on investments		3,199	3,199	4,568	4,568
Surplus before tax		12,320	12,502	15,073	15,507
Taxation	10	(1,405)	(1,394)	(46)	-
Surplus for the year		10,915	11,108	15,027	15,507
Actuarial (loss)/gain in respect of pension schemes	30	(13,655)	(13,655)	906	906
Change in fair value of hedging financial instruments		(1,500)	(1,500)	(636)	(636)
Total comprehensive income for the year		(4,240)	(4,047)	15,297	15,777
Represented by:					
Endowment comprehensive income for the year	22	5,125	5,125	6,048	6,048
Restricted comprehensive income for the year	23	(299)	(299)	5,941	5,941
Unrestricted comprehensive income for the year		(9,006)	(8,813)	3,308	3,788
Revaluation reserve comprehensive income for the year		(60)	(60)	-	-
		(4,240)	(4,047)	15,297	15,777

All items of income and expenditure relate to continuing activities.

CONSOLIDATED AND UNIVERSITY STATEMENT OF CHANGES IN RESERVES

For the year ended 31 July 2016

Consolidated	Income and expenditure			Revaluation Reserve £000	Total £000
	Endowment £000	Restricted £000	Unrestricted £000		
Balance at 1 August 2014	46,999	8,799	90,069	114,968	260,835
Surplus from the income and expenditure statement	6,048	5,941	3,038	-	15,027
Other comprehensive income	-	-	270	-	270
Total comprehensive income for the year	6,048	5,941	3,308	-	15,297
Balance at 1 August 2015	53,047	14,740	93,377	114,968	276,132
Surplus from the income and expenditure statement	5,125	1,010	4,780	-	10,915
Other comprehensive income	-	-	(15,155)	-	(15,155)
Transfers between revaluation reserve and income and expenditure reserve	-	-	60	(60)	-
Release of restricted funds spent in the year	-	(1,309)	1,309	-	-
Total comprehensive income for the year	5,125	(299)	(9,006)	(60)	(4,240)
Balance at 31 July 2016	58,172	14,441	84,371	114,908	271,892
University					
Balance at 1 August 2014	46,999	8,799	88,860	114,968	259,626
Surplus from the income and expenditure statement	6,048	5,941	3,518	-	15,507
Other comprehensive income	-	-	270	-	270
Total comprehensive income for the year	6,048	5,941	3,788	-	15,777
Balance at 1 August 2015	53,047	14,740	92,648	114,968	275,403
Surplus from the income and expenditure statement	5,125	1,010	4,973	-	11,108
Other comprehensive income	-	-	(15,155)	-	(15,155)
Transfers between revaluation reserve and income and expenditure reserve	-	-	60	(60)	-
Release of restricted funds spent in the year	-	(1,309)	1,309	-	-
Total comprehensive income for the year	5,125	(299)	(8,813)	(60)	(4,047)
Balance at 31 July 2016	58,172	14,441	83,835	114,908	271,356

CONSOLIDATED AND UNIVERSITY BALANCE SHEET
As at 31 July 2016

		As at 31 July 2016		As at 31 July 2015	
	Notes	Consolidated £000	University £000	Consolidated £000	University £000
Non-current assets					
Fixed assets	11	351,927	334,287	330,730	328,740
Heritage assets	11/12	38,433	38,433	38,388	38,388
Investments	14	57,917	69,007	52,665	64,860
		<u>448,277</u>	<u>441,727</u>	<u>421,783</u>	<u>431,988</u>
Current assets					
Stock	16	1,140	917	962	697
Trade and other receivables:	17				
amounts falling due after one year		-	11,000	-	-
amounts falling due within one year		22,963	23,031	16,193	15,761
Investments	18	21,661	21,661	17,957	17,957
Cash and cash equivalents	24	15,891	12,993	20,345	11,838
		<u>61,655</u>	<u>69,602</u>	<u>55,457</u>	<u>46,253</u>
Less: Creditors : amounts falling due within one year	19	<u>(69,638)</u>	<u>(71,666)</u>	<u>(60,165)</u>	<u>(61,990)</u>
Net current liabilities		<u>(7,983)</u>	<u>(2,064)</u>	<u>(4,708)</u>	<u>(15,737)</u>
Total assets less current liabilities		440,294	439,663	417,075	416,251
Creditors: amounts falling due after more than one year	20	(102,352)	(102,257)	(91,352)	(91,257)
Provisions					
Pension provisions	21	(64,427)	(64,427)	(49,105)	(49,105)
Other provisions	21	(1,623)	(1,623)	(486)	(486)
Total net assets		<u>271,892</u>	<u>271,356</u>	<u>276,132</u>	<u>275,403</u>
Restricted reserves					
Income and expenditure reserve – endowment reserve	22	58,172	58,172	53,047	53,047
Income and expenditure reserve – restricted reserve	23	14,441	14,441	14,740	14,740
Unrestricted Reserves					
Income and expenditure reserve – unrestricted		84,371	83,835	93,377	92,648
Revaluation reserve		114,908	114,908	114,968	114,968
Total Reserves		<u>271,892</u>	<u>271,356</u>	<u>276,132</u>	<u>275,403</u>

Approved by the University Court of the University of St Andrews on 14 October 2016 and signed on its behalf by:

Professor Sally Mapstone Principal and Vice-Chancellor

Dame Anne Pringle Senior Governor

Mr Andrew Goor Director of Finance

CONSOLIDATED AND UNIVERSITY CASH FLOW
As at 31 July 2016

	Notes	Year ended 31 July 2016 £000	Year ended 31 July 2015 £000
Cash flow from operating activities			
Surplus for the year		10,915	15,027
Adjustment for non-cash items			
Depreciation	11	14,852	13,526
Gain on investments	22	(4,761)	(5,924)
Increase in stock	16	(178)	(182)
(Increase) / Decrease in debtors	17	(6,770)	1,998
Increase / (Decrease) in creditors	19	7,973	(11,262)
Increase in pension provisions	21	1,667	13,206
Increase / (Decrease) in other provisions	21	1,137	(322)
Impairment of tangible fixed assets		-	1,363
Donated fixed asset		-	457
Adjustment for investing or financing activities			
Investment income	5	(2,352)	(2,129)
Endowment income	6	(1,242)	(1,114)
Interest payable	8	4,902	4,643
Profit on the sale of fixed assets		(398)	(352)
Capital grant income		(3,416)	(11,352)
Net cash inflow from operating activities		<u>22,329</u>	<u>17,583</u>
Cash flows from investing activities			
Proceeds from sales of fixed assets		521	1,378
Capital grant receipts		3,416	11,352
Additions to non-current asset investments		(491)	(278)
Additions to deposits		(2,462)	(4,467)
Investment income		2,352	2,129
Payments made to acquire fixed assets		(36,217)	(24,804)
New deposits		(1,242)	(1,114)
		<u>(34,123)</u>	<u>(15,804)</u>
Cash flows from financing activities			
Interest paid		(4,902)	(4,643)
Endowment cash received		1,242	1,114
New secured loans		11,000	-
		<u>7,340</u>	<u>(3,529)</u>
Decrease in cash and cash equivalents in the year		<u>(4,454)</u>	<u>(1,750)</u>
Cash and cash equivalents at beginning of the year	24	20,345	22,095
Cash and cash equivalents at end of the year	24	<u>15,891</u>	<u>20,345</u>
		<u>(4,454)</u>	<u>(1,750)</u>

NOTES TO THE ACCOUNTS
As at 31 July 2016

1 Tuition fees and education contracts

	Year Ended 31 July 2016		Year Ended 31 July 2015	
	Consolidated £000	University £000	Consolidated £000	University £000
Full-time home and EU students	9,863	9,863	10,275	10,275
RUK students (new fee rates)	17,791	17,791	13,466	13,466
RUK students (old fee rates)	157	157	833	833
Full-time international students	50,094	50,094	46,195	46,195
Part-time home and EU students	294	294	376	376
Part-time international students	230	230	148	148
Research training support grant	3,891	3,891	3,804	3,804
Short course fees	2,716	2,716	1,922	1,922
Other tuition fees	227	227	295	295
	85,263	85,263	77,314	77,314

2 Funding body grants

	Year Ended 31 July 2016		Year Ended 31 July 2015	
	Consolidated £000	University £000	Consolidated £000	University £000
Recurrent grant				
SFC HE recurring teaching grant	13,883	13,883	15,354	15,354
SFC recurrent research grant	20,191	20,191	21,596	21,596
Specific grant				
Other SFC grants	3,151	3,151	4,130	4,130
SFC capital grants	2,821	2,821	9,166	9,166
	40,046	40,046	50,246	50,246

3 Research grants and contracts

	Year Ended 31 July 2016		Year Ended 31 July 2015	
	Consolidated £000	University £000	Consolidated £000	University £000
Research councils	18,061	18,061	21,890	21,890
UK Government bodies, local & health Authorities (1)	10,515	10,515	3,741	3,741
UK based charities	3,604	3,604	3,497	3,497
UK industry, commerce & public corporations	855	855	936	936
EU government bodies	7,183	7,183	7,565	7,565
EU other	601	601	693	693
Other overseas	3,376	3,376	3,733	3,733
Other sources	147	147	202	202
	44,342	44,342	42,257	42,257
Income deferred into capital suspense	(953)	(953)	(3,692)	(3,692)
Capital grants	1,665	1,665	3,438	3,438
	45,054	45,054	42,003	42,003

NOTES TO THE ACCOUNTS
As at 31 July 2016

3 Research grants and contracts (Cont'd)

A proportion of the University's activities were identified as qualifying R&D in accordance with Chapter 6A, Corporation Taxes Act 2009. RDEC tax credits totalling £6.4 million, stated gross of Corporation Tax of £1.394 million (see note 10), have been incorporated in the current year covering the period 1 April 2013 to 31 July 2015.

4 Other income

	Year Ended 31 July 2016		Year Ended 31 July 2015	
	Consolidated £000	University £000	Consolidated £000	University £000
Residence fees	27,254	27,254	21,514	21,514
Consultancy, knowledge transfer and cultural engagement	2,752	414	2,341	564
Conference sales	2,667	-	4,507	119
Third party contributions to operational activities	2,517	2,517	2,269	2,269
Miscellaneous sales	1,410	908	1,046	796
Foreign exchange gains	1,212	1,079	592	565
Bar sales	1,164	1,164	904	904
External contribution to salaries	1,077	1,077	923	923
Other income	986	986	754	752
Royalties	669	669	944	944
Memberships	615	615	578	578
Other capital grants	595	595	2,186	2,186
Continuing professional development	584	584	772	772
Rental	515	515	398	398
Academic conferences	490	490	251	251
Other services provided	282	282	303	303
Subscription income	249	249	115	115
Hire and facilities	225	225	228	228
Non research prizes and awards	128	128	619	612
Consumables and services recharged	101	101	154	154
Development fee	-	-	7,480	7,480
	45,492	39,852	48,878	42,427

5 Investment income

	As at 31 July 2016		As at 31 July 2015	
	Consolidated £000	University £000	Consolidated £000	University £000
Interest from short-term investments	386	488	416	416
Investment income on restricted endowments	1,776	1,776	1,547	1,547
Investment income on unrestricted endowments	190	190	166	166
Net return on S&LAS pension scheme (note 30)	(977)	(977)	(1,091)	(1,091)
	1,375	1,477	1,038	1,038

NOTES TO THE ACCOUNTS
As at 31 July 2016

6 Donations and endowments

	As at 31 July 2016		As at 31 July 2015	
	Consolidated £000	University £000	Consolidated £000	University £000
New endowments	1,242	1,242	1,114	1,114
Donations with restrictions	2,005	2,005	2,109	2,109
Restricted donations with performance conditions	304	304	292	292
Unrestricted donations	605	1,308	418	1,857
	4,156	4,859	3,933	5,372

7 Staff costs

	As at 31 July 2016		As at 31 July 2015	
	Consolidated £000	University £000	Consolidated £000	University £000
Staff Costs:				
Salaries	96,329	94,087	92,101	89,819
Social security costs	7,664	7,622	7,090	7,038
Movement on USS pension	(308)	(308)	11,889	11,889
Other pension costs	13,411	13,340	12,765	12,729
	117,096	114,741	123,845	121,475

Emoluments of the Principal (1 August 2015 to 31 December 2015):

	Year ended 31 July 2016 £000	Year ended 31 July 2015 £000
Salary	104	250
Benefits	5	4
Pension contributions to USS	17	40
The University paid related tax on the benefit in kind shown above.	126	294

Emoluments of the Acting Principal (1 January 2016 to 31 July 2016):

	Year ended 31 July 2016 £000	Year ended 31 July 2015 £000
Salary	94	-
Benefits	-	-
Pension contributions to USS	1	-
	95	-

The Principal and Acting Principal are not included in the table of higher paid staff overleaf.

The Principal was in post for five months from 1 August 2015 until 31 December 2015. From 1 January 2016 until 31 August 2016, her duties were assumed by the Acting Principal and the Quaestor & Factor. The new Principal took up her post from 1 September 2016.

NOTES TO THE ACCOUNTS
As at 31 July 2016

7 Staff costs (Cont'd)

Remuneration of other higher paid staff, excluding employer's pension contributions:

	No.	No.
£100,001 to £110,000	14	13
£110,001 to £120,000	8	11
£120,001 to £130,000	3	2
£150,001 to £160,000	1	1
£170,001 to £180,000	1	-
£180,001 to £190,000	2	1
£200,001 to £210,000	-	1
£210,001 to £220,000	1	-
	30	29

Average staff numbers by major category:

	No.	No.
Academic	1,059	1,048
Academic support services	259	244
Research	342	384
Administration	405	366
Premises	208	204
Catering and residencies	266	239
	2,539	2,485

Key management personnel

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the University.

	Year ended 31 July 2016 £000	Year ended 31 July 2015 £000
Salary	947	851
Employers pension contributions	138	103
Total compensation	1,085	954

Two key management personnel posts were vacant for part of the 2014/15 financial year.

NOTES TO THE ACCOUNTS
As at 31 July 2016

8 Interest and other finance costs

	As at 31 July 2016		As at 31 July 2015	
	Consolidated £000	University £000	Consolidated £000	University £000
Loan interest	4,896	4,896	4,640	4,640
Interest paid to endowment funds	6	6	3	3
Net charge on pension scheme	708	708	341	341
	5,610	5,610	4,984	4,984

9 Analysis of total expenditure by activity

	As at 31 July 2016		As at 31 July 2015	
	Consolidated £000	University £000	Consolidated £000	University £000
Academic and related expenditure	84,073	84,073	89,458	89,458
Academic support services	15,998	15,998	16,018	16,018
Administration and central services	22,432	22,432	19,794	19,884
Premises (including service concession)	21,024	21,024	21,577	21,577
Research grants and contracts	27,771	27,771	30,465	30,465
Residences, catering and conferences	19,928	19,928	14,406	14,406
Other expenses	21,437	16,430	21,541	16,005
	212,663	207,656	213,259	207,813

Other operating expenses include:

External auditors remuneration in respect of:

audit services	138	86
non-audit services	5	5
Internal audit – core plan	88	93
Internal audit – additional project	-	46
Hire of plant and equipment	310	263

10 Taxation

	As at 31 July 2016		As at 31 July 2015	
	Consolidated £000	University £000	Consolidated £000	University £000
Current tax				
Current tax expense	1,414	1,394	46	-
Adjustment in respect of prior years	(9)	-	-	-
Current tax expense	1,405	1,394	46	-

The University's current tax expense is solely in respect of Research and Development Expenditure Credit grants receivable by the University as described in note 3.

NOTES TO THE ACCOUNTS

As at 31 July 2016

11 Tangible Fixed Assets

Consolidated	Land and Buildings £000	Assets under Construction £000	Equipment & Furniture £000	Heritage Assets	Endowed Properties £000	Total £000
Cost						
At 1 August 2015	367,914	11,754	84,551	38,388	1,324	503,931
Additions	2,247	30,111	3,814	45	-	36,217
Transfers	12,574	(12,811)	237	-	-	-
Disposals	(113)	-	(33)	-	-	(146)
At 31 July 2016	382,622	29,054	88,569	38,433	1,324	540,002
Depreciation						
At 1 August 2015	65,402	-	69,411	-	-	134,813
Charge for Year	9,117	-	5,735	-	-	14,852
Disposals	(1)	-	(22)	-	-	(23)
At 31 July 2016	74,518	-	75,124	-	-	149,642
Net Book Value						
At 31 July 2016	308,104	29,054	13,445	38,433	1,324	390,360
At 31 July 2015	302,512	11,754	15,140	38,388	1,324	369,118

NOTES TO THE ACCOUNTS

As at 31 July 2016

11 Tangible Fixed Assets (Cont'd)

University	Land and Buildings £000	Assets under Construction £000	Equipment & Furniture £000	Heritage Assets	Endowed Properties £000	Total £000
Cost						
At 1 August 2015	367,778	9,780	84,007	38,388	1,324	501,277
Additions	2,247	14,444	3,814	45	-	20,550
Transfers	12,574	(12,811)	237	-	-	-
Disposals	(113)	-	-	-	-	(113)
At 31 July 2016	382,486	11,413	88,058	38,433	1,324	521,714
Depreciation						
At 1 August 2015	65,266	-	68,883	-	-	134,149
Charge for Year	9,117	-	5,729	-	-	14,846
Disposals	(1)	-	-	-	-	(1)
At 31 July 2016	74,382	-	74,612	-	-	148,994
Net Book Value						
At 31 July 2016	308,104	11,413	13,446	38,433	1,324	372,720
At 31 July 2015	302,512	9,780	15,124	38,388	1,324	367,128

Included within fixed assets is an amount of £3,523,218 (2014/15 - £3,523,218) of capitalised finance costs.

NOTES TO THE ACCOUNTS
As at 31 July 2016

12 Heritage assets

The table below shows the analysis of acquisitions

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

	2016	2015	2014	2013	2012
	£000	£000	£000	£000	£000
Acquisitions purchased with specific donations	-	-	28	-	-
Acquisitions purchased with University funds	45	58	-	15	-
Total cost of acquisitions purchased	<u>45</u>	<u>58</u>	<u>28</u>	<u>15</u>	<u>-</u>
Value of acquisitions by donation	-	45	115	-	-
Total acquisitions purchased	<u>45</u>	<u>103</u>	<u>143</u>	<u>15</u>	<u>-</u>

13 Service Concession Arrangements

The University has one on Balance Sheet arrangement where service delivery has commenced.

Movement in Service concession arrangement assets

The asset value of the service concession included in the Balance Sheet as at 31/07/2016 is £nil (01/08/2015 £nil). An asset value of £1.8 million was booked during the year and this was fully depreciated.

Movement in Service concession arrangement liabilities

The total liabilities relating to the service concession included in the Balance Sheet as at 31/07/2016 were £nil (01/08/2015 £nil). A sum of £1.8 million was repaid in the year.

The notes below give more information on the University's current service concession arrangements:

In September 2015 the University entered into a 40-year contract with a third party provider for the provision and maintenance of Fife Park providing accommodation to around 300 students.

The assets and liabilities relating to this scheme were recognised on the University's Balance Sheet but have been fully written down / unwound.

Service commenced on 9 September 2015 and the contract will finish on 7 September 2055.

The University has the option to provide an annual occupancy commitment and as a result of this option being exercised during the current year, £1.9 million of 2016/17 rental costs has been recorded within other operating expenses.

NOTES TO THE ACCOUNTS
As at 31 July 2016

14 Non-Current Investments

Consolidated	Subsidiary companies £000	Other fixed asset investments £000	Total £000
At 1 August 2015	-	52,665	52,665
Additions	-	22,166	22,166
Disposals	-	(26,706)	(26,706)
Appreciation	-	4,761	4,761
Debtor movement	-	54	54
Cash movement	-	4,977	4,977
At 31 July 2016	-	57,917	57,917
University			
At 1 August 2015	12,195	52,665	64,860
Additions	-	22,166	22,166
Disposals	(745)	(26,706)	(27,451)
Appreciation	-	4,761	4,761
Debtor movement	-	54	54
Cash movement	-	4,977	4,977
Impairment	(360)	-	(360)
At 31 July 2016	11,090	57,917	69,007

Additional Analysis of other fixed asset investments

	£000
Endowment Equities	47,625
Non-Endowment Equities	33
Fixed Income Bonds	2,711
Creditors	(110)
Cash and cash equivalent	7,658
Total Investments	57,917

Investments that are listed are held at fair value.

NOTES TO THE ACCOUNTS
As at 31 July 2016

14 Non-Current Investments (Cont'd)

Subsidiary companies

The subsidiary companies are all wholly owned:

<i>Company</i>	<i>Country of incorporation</i>	<i>Activity</i>
St Andrews University Services Ltd*	Scotland	Vacation letting
St Andrews Applied Research Ltd*	Scotland	Applied Research
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
SMRU Ltd	Scotland	Marine Science
SOI Ltd	Scotland	Marine Science
St Andrews Instrumentation Ltd	Scotland	Marine Science
St Andrews Lean Consultancy Ltd	Scotland	Management Change Consultancy
SMRU (Hong Kong) Ltd	Hong Kong	Marine Science
SMRU (Canada) Ltd	Canada	Marine Science
SMRU LLC	USA	Marine Science
StAAR Inc	USA	Applied Research

* Owned directly by the University of St Andrews

15 Investment in associates

The University has a 40% holding in CLV UK LLP whose principal business activities include the acquisition, delivery, operation and management of student accommodation and associated services. The University's wholly owned subsidiary has a 40% holding in Smart History Ltd which delivers the high quality historical content and interpretations in bespoke mobile packages, virtual environments and onsite installations.

16 Stock

	As at 31 July 2016		As at 31 July 2015	
	Consolidated £000	University £000	Consolidated £000	University £000
Stocks of:				
Consumables	917	917	697	697
Goods for resale	223	-	265	-
	1,140	917	962	697

NOTES TO THE ACCOUNTS
As at 31 July 2016

17 Trade and other receivables:

	As at 31 July 2016		As at 31 July 2015	
	Consolidated £000	University £000	Consolidated £000	University £000
Amounts falling due within one year				
Research grants receivables	13,524	13,524	7,135	7,135
Debts due from students	344	344	535	535
Trade receivables	1,894	2,075	3,098	2,789
Other receivables	98	62	60	47
Prepayments and accrued income	7,103	7,026	5,365	5,255
	22,963	23,031	16,193	15,761
Amounts falling due after more than one year				
Amounts due from subsidiary companies	-	11,000	-	-
	-	11,000	-	-

18 Current Investments

	As at 31 July 2016		As at 31 July 2015	
	Consolidated £000	University £000	Consolidated £000	University £000
Deposits maturing: In one year or less	21,661	21,661	17,957	17,957
	21,661	21,661	17,957	17,957

19 Creditors: amounts falling due within one year

	As at 31 July 2016		As at 31 July 2015	
	Consolidated £000	University £000	Consolidated £000	University £000
Trade payables	4,487	4,311	6,001	5,808
Social security and other taxation payable	3,004	4,163	2,321	2,347
Amounts owed to group undertakings	-	1,492	-	2,234
Accruals and deferred income	53,385	52,938	44,580	44,338
Derivatives	8,762	8,762	7,263	7,263
	69,638	71,666	60,165	61,990

NOTES TO THE ACCOUNTS
As at 31 July 2016

19 Creditors: amounts falling due within one year (Cont'd)

The derivatives relate to interest rate swaps held at fair value using exchange rates at the balance sheet date.

Deferred income

Included with 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 2016		As at 31 July 2015	
	Consolidated £000	University £000	Consolidated £000	University £000
Donations with performance conditions	836	836	726	726
Doctorial Training Grants	3,350	3,350	3,296	3,296
Student receipts in advance	15,605	15,605	8,273	8,273
Grant income (including pooling)	2,586	2,586	3,481	3,481
Other income with performance conditions	2,030	2,030	1,957	1,957
Research grants received on account	13,853	13,853	14,392	14,392
Other accruals and deferred income	13,187	12,741	12,455	12,213
Service Concession Arrangement	1,937	1,937	-	-
	53,385	52,938	44,580	44,338

20 Creditors: amounts falling due after more than one year

	As at 31 July 2016		As at 31 July 2015	
	Consolidated £000	University £000	Consolidated £000	University £000
Unsecured loans	102,257	102,257	91,257	91,257
Cumulative convertible preference shares	95	-	95	-
	102,352	102,257	91,352	91,257

Analysis of secured and unsecured loans

Due between two and five years	12,507	12,507	1,257	1,257
Due in five years or more	89,750	89,750	90,000	90,000
Due after more than one year	102,257	102,257	91,257	91,257

Unsecured loans repayable by 2022	1,257	1,257	1,257	1,257
Unsecured loans repayable by 2023	11,000	11,000	-	-
Unsecured loans repayable by 2026	30,000	30,000	30,000	30,000
Unsecured loans repayable by 2048	60,000	60,000	60,000	60,000
	102,257	102,257	91,257	91,257

Included in loans are the following:

Lender	Amount £000	Repayments Commence	Interest Rate
Amber Green SPRUCE 2 LLP	11,000	2023	2.00%
Barclays Bank Plc	30,000	2019	5.34%
Barclays Bank Plc	60,000	2039	5.06%

NOTES TO THE ACCOUNTS

As at 31 July 2016

21 Provisions for liabilities

Consolidated	Obligation to fund deficit on USS pension £000	Pension enhancements on termination £000	Defined Benefit Obligations (note 30) £000	Total Pensions Provision £000	Other Provisions £000	Early Retirement Provision £000	Total Other Provisions £000
Balance at 1 August 2015	(23,589)	(18)	(25,498)	(49,105)	(250)	(236)	(486)
Utilised in year	386	5	21,233	21,624	-	236	236
Additions	(786)	-	(36,160)	(36,946)	(1,247)	(126)	(1,373)
Balance at 31 July 2016	(23,989)	(13)	(40,425)	(64,427)	(1,497)	(126)	(1,623)

University	Obligation to fund deficit on USS pension £000	Pension enhancements on termination £000	Defined Benefit Obligations (note 30) £000	Total Pensions Provision £000	Other Provisions £000	Early Retirement Provision £000	Total Other Provisions £000
Balance at 1 August 2015	(23,589)	(18)	(25,498)	(49,105)	(250)	(236)	(486)
Utilised in year	386	5	21,233	21,624	-	236	236
Additions	(786)	-	(36,160)	(36,946)	(1,247)	(126)	(1,373)
Balance at 31 July 2016	(23,989)	(13)	(40,425)	(64,427)	(1,497)	(126)	(1,623)

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

NOTES TO THE ACCOUNTS
As at 31 July 2016

22 Endowment Reserves
Consolidated and University

	Unrestricted permanent endowments £000	Restricted permanent endowments £000	2016 Total £000	2015 Total £000
Balances at 1 August 2015				
Capital	4,725	45,995	50,720	45,039
Accumulated income	-	2,327	2,327	1,960
	4,725	48,322	53,047	46,999
New endowments / transfers	113	(433)	(320)	(243)
Investment income	189	1,776	1,965	1,713
Expenditure	(188)	(1,093)	(1,281)	(1,346)
Increase in market value of investments	480	4,281	4,761	5,924
Total endowment comprehensive income for the year	594	4,531	5,125	6,048
Balances as at 31st July 2016	5,319	52,853	58,172	53,047
Represented by:				
Capital	5,318	49,843	55,161	50,720
Accumulated Income	1	3,010	3,011	2,327
	5,319	52,853	58,172	53,047
Analysis by type of purpose:				
	£000	£000	£000	£000
Chairs and Lectureships	-	13,059	13,059	12,230
Academic Schools / Unit Support	-	6,511	6,511	6,170
Scholarships and Bursaries	-	32,097	32,097	28,822
Prize funds	-	1,186	1,186	1,099
General	5,319	-	5,319	4,726
	5,318	52,853	58,172	53,047

Deficit balances

Included within endowments are a number of permanent restricted funds with a deficit of accumulated income as at 31st July 2016. There are 12 individual funds with a combined income deficit balance of £0.040 million with a corresponding combined capital balance of £1.3m. (2014/15 – 21 funds with a total combined income deficit of £0.119 million). The deficits have occurred due mainly to commitments on scholarship and prize spend. The University closely monitors these balances and expects them to return to an accumulated income position in future years.

NOTES TO THE ACCOUNTS
As at 31 July 2016

22 Endowments (Cont'd)

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

Name of Fund	At 31 July 2015	New / Additions	Change in market value	Realised appreciation	Income	Expenditure	At 31 July 2016
	£000	£000	£000	£000	£000	£000	£000
United College Chairs Fund	6,842	-	647	(220)	271	(275)	7,265
Lapsed Bursaries Fund	4,116	-	393	(134)	165	1	4,541
General Unrestricted Fund	2,785	-	263	(90)	111	(111)	2,958
The R&A Ransome Scholarship	1,957	4	172	(32)	42	(132)	2,011
600 th Anniversary Endow Fund	1,298	265	156	(42)	53	(53)	1,677
Maitland Ramsay PG Scholarship	1,335	-	110	(37)	47	(22)	1,433
PhD Studentships (Anonymous)	1,290	-	121	(41)	51	(23)	1,398
D.& G. Bonnyman Scholarship	1,294	-	120	(41)	51	(38)	1,386
600 th Anniversary Scholarship Fund	1,039	9	97	(33)	41	(9)	1,144
Gifford Bequest	1,019	-	81	(27)	34	(4)	1,103
American Literature Fund	984	7	94	(32)	39	-	1,092
Prof & Mrs Purdie Bequest	1,034	-	10	(4)	33	(4)	1,069
Moncrieff Travelling Scholarship	866	-	76	(26)	32	(12)	936
John & Aileen Irving Fund	836	-	73	(25)	31	-	915
St Mary's Anniversary Appeal	721	1	58	(20)	24	(32)	752
Harold Mitchell Fellowship	687	-	56	(19)	24	-	748
The R&A International Scholarship	641	-	61	(21)	25	(18)	688
Barbara Bennett Ure Scholarship	-	645	33	-	1	-	679
Don Scholarship	592	-	51	(18)	22	-	647
Ottakar Sykora Scholarship Fund	557	-	50	(17)	21	(14)	597
Ronald M Smith Trust	551	7	50	(17)	21	(17)	595
Guthrie Mortification Scholarship	544	-	55	(19)	23	(20)	583
	<u>30,988</u>	<u>938</u>	<u>2,827</u>	<u>(915)</u>	<u>1,162</u>	<u>(783)</u>	<u>34,217</u>

NOTES TO THE ACCOUNTS
As at 31 July 2016

23 Restricted Reserves

Reserves with restrictions are as follows:

	Unspent capital grants £000	Restricted donations £000	2016 Total £000	2015 Total £000
Balances at 1 August 2015	11,756	2,984	14,740	8,799
New grants	595	-	595	5,850
New donations	-	2,005	2005	2,109
Capital grants utilised	(1,309)	-	(1,309)	(414)
Expenditure	-	(1,590)	(1,590)	(1,604)
Total restricted comprehensive income for the year	<u>(714)</u>	<u>415</u>	<u>(299)</u>	<u>5,941</u>
Balances as at 31 July 2016	<u>11,042</u>	<u>3,399</u>	<u>14,441</u>	<u>14,740</u>

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

	2016 Total £000	2015 Total £000
Chairs and Lectureships	(94)	153
Academic Schools / Unit Support	1,717	1,275
Scholarships and Bursaries	1,700	1,487
Prize funds	76	69
	<u>3,399</u>	<u>2,984</u>

NOTES TO THE ACCOUNTS
As at 31 July 2016

24 Cash and cash equivalents

Consolidated	At 1st August 2015 £000	Cash Flows £000	At 31st July 2016 £000
Cash and cash equivalents	20,345	(4,454)	15,891
	<u>20,345</u>	<u>(4,454)</u>	<u>15,891</u>

25 Capital and other commitments
Consolidated and University

Provision has not been made for the following capital commitments at 31st July 2016

	As at 31 July 2016		As at 31 July 2015	
	Consolidated £000	University £000	Consolidated £000	University £000
Commitments contracted for	11,917	4,159	5,852	5,852
Authorised but not contracted for	732	732	10,736	10,736
	<u>12,649</u>	<u>4,891</u>	<u>16,588</u>	<u>16,588</u>

26 Lease obligations

Total rentals payable under operating leases:

	As at 31 July 2016		Total £000	As at 31 July 2015 £000
	Land and Buildings £000	Plant and Machinery £000		
Payable during the year	125	258	383	313
Future minimum lease payments due:				
Not later than 1 year	86	255	341	270
Later than 1 year and not later than 5 years	50	252	302	204
Later than 5 years	5	-	5	6
Total lease payments due	<u>266</u>	<u>765</u>	<u>1,031</u>	<u>793</u>

27 Events after the reporting period

On 8th September 2016 the University received £4.2 million as part of a third-party financing arrangement put in place to develop new student accommodation at Fife Park. This will be treated as income for the year ending 31 July 2017.

NOTES TO THE ACCOUNTS
As at 31 July 2016

**28 Amounts disbursed as an agent
Consolidated and University**

	Year ending 31 July 2016	Year ending 31 July 2015
Discretionary fund		
Income	£000	£000
Excess of income over spend at 1 August	-	-
Funding Council grants	350	321
	<hr style="width: 100%;"/>	<hr style="width: 100%;"/>
	350	321
Expenditure		
Disbursed to students	(301)	(294)
Transferred to Childcare Fund	(47)	(25)
Fund running cost	(2)	(2)
	<hr style="width: 100%;"/>	<hr style="width: 100%;"/>
	(350)	(321)
Excess of income over expenditure at 31 July	<hr style="width: 100%;"/>	<hr style="width: 100%;"/>
	-	-
	<hr style="width: 100%;"/>	<hr style="width: 100%;"/>
	£000	£000
Childcare fund		
Income		
Excess of income over spend at 1 August	-	-
Funding Council grants	-	15
	<hr style="width: 100%;"/>	<hr style="width: 100%;"/>
	-	15
Expenditure		
Disbursed to students	(47)	(40)
Transferred from Discretionary Fund	47	25
	<hr style="width: 100%;"/>	<hr style="width: 100%;"/>
	-	(15)
Excess of income over expenditure at 31 July	<hr style="width: 100%;"/>	<hr style="width: 100%;"/>
	-	-

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

NOTES TO THE ACCOUNTS
As at 31 July 2016

29 Disclosure of related party transactions

Due to the nature of the University's activities and the composition of Court, (being drawn from public and private sector organisations) transactions may take place with organisations in particular with similar public bodies, which a member of Court may have an interest. All transactions in which a member of Court may have an interest have been conducted at arm's length and in accordance with the University's financial regulations and normal procurement procedures. 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.

30 Pension Schemes

The University contributes to two pension schemes for its staff:

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

a) Universities Superannuation Scheme (U.S.S.)

The institution participates in the Universities Superannuation Scheme (the scheme). The scheme was a defined benefit only pension scheme until 31 March 2016 which was contracted out of the State Second Pension (S2P). The assets of the scheme are held in a separate trustee-administered fund. Because of the mutual nature of the scheme, the scheme's assets are not hypothecated to individual institutions and a scheme-wide contribution rate is set. The 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 and therefore, as required by Section 28 of FRS 102 "Employee benefits", accounts for the scheme as if it were a defined contribution scheme. As a result, the amount charged to the income and expenditure account represents the contributions payable to the scheme in respect of the accounting period.

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 the resulting expense in the income and expenditure account. At the end of the current financial year, the provision is £23.989 million (note 21).

FRS 102 makes the distinction between a 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 that provided by USS. 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 is recognised in profit or loss. 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 funding plan in existence at the date of approving the financial statements.

The total cost charged to the statement of income and expenditure is £10.685 million (2014/15-£22.063million). This includes £0.924 million (2014/15 - £0.821 million) of outstanding contributions at the balance sheet date. The disclosures below represent the position from the scheme's financial statements.

NOTES TO THE ACCOUNTS
As at 31 July 2016

30 Pension Schemes (Cont'd)

The latest available full actuarial valuation of the scheme was at 31 March 2014 (“the valuation date”), which was carried out using the projected unit method. Since the institution cannot identify its share of scheme assets and liabilities, the following disclosures reflect those relevant for the scheme as a whole.

The 2014 valuation was the third valuation for USS under the scheme-specific funding regime introduced by the Pensions Act 2004, which requires schemes to adopt a statutory funding objective, which is to have sufficient and appropriate assets to cover their technical provisions. At the valuation date, the value of the assets of the scheme was £41.6 billion and the value of the scheme’s technical provisions was £46.9 billion indicating a shortfall of £5.3 billion. The assets therefore were sufficient to cover 89% of the benefits

Defined benefit liability numbers have been produced using the following assumptions:

	As at 31 July 2016	As at 31 July 2015
Discount rate	3.6%	3.3%
Pensionable salary growth	n/a	3.5% in the first year and 4.0% thereafter
Price inflation (CPI)	2.2%	2.2%

The main demographic assumption used relates to the mortality assumptions. Mortality in retirement is assumed to be in line with the Continuous Mortality Investigation's (CMI) S1NA tables as follows:

Male members’ mortality 98% of S1NA [“light”] YoB tables – No age rating
Female members’ mortality 99% of S1NA [“light”] YoB tables – rated down 1 year

Use of these mortality tables reasonably reflects the actual USS experience. To allow for further improvements in mortality rates the CMI 2014 projections with a 1.5% pa long term rate were also adopted. The current life expectancies on retirement at age 65 are:

	As at 31 July 2016 Years	As at 31 July 2015 Years
Males currently aged 65 (years)	24.3	24.2
Females currently aged 65 (years)	26.5	26.4
Males currently aged 45 (years)	26.4	26.3
Females currently aged 45 (years)	28.8	28.7

	As at 31 July 2016 £	As at 31 July 2015 £
Existing benefits		
Scheme assets	£49.8bn	£49.1bn
Total scheme liabilities	£58.3bn	£60.2bn
FRS 102 total scheme deficit	£8.5bn	£11.1bn
FRS 102 total funding level	85%	82%

NOTES TO THE ACCOUNTS
As at 31 July 2016

30 Pension Schemes (Cont'd)

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 2015 and updated to 31 July 2016 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 2016	Year ended 31 July 2015	Year ended 31 July 2014
Rate of increase in salaries	2.50% ³	2.75% ²	3.25% ¹
	2.65% ⁴	3.10% ⁴	3.70% ³
Pension increases (RPI max 9.00%)	2.70%	3.10%	3.10%
Pension increases (RPI max 2.50%)	1.90%	2.10%	2.10%
Discount Rate	2.40%	3.80%	4.30%
Inflation assumption (RPI)	2.65%	3.10%	3.10%
Inflation assumption (CPI)	1.65%	2.10%	2.10%

¹ for one year; ² for three years; ³ for two years; ⁴ thereafter

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 2016	As at 31 July 2015
Retiring today:	Years	Years
Males	21.8	22.0
Females	23.8	24.0
Retiring in 20 years:		
Males	23.5	23.7
Females	25.7	25.9

The table below shows the effect that changing the most significant assumptions at 31 July 2016 would have had on the defined benefit obligation.

	Change in defined benefit obligation at 31 July 2016 £000
Increase of 0.25% in the discount rate	6,300
Decrease of 0.25% in the discount rate	(6,746)
Increase of 0.1% in inflation	(2,139)
Decrease of 0.1% in inflation	2,098
Increase of one year in life expectancy*	(3,940)

NOTES TO THE ACCOUNTS
As at 31 July 2016

30 Pension Schemes (Cont'd)

* Life expectancies would increase from 21.8 years to 22.8 years for a male currently aged 65, and from 23.5 years to 24.5 years for a male currently aged 45.

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

The fair value of the assets of the scheme are:

	Value at 31 July 2016 £000	Value at 31 July 2015 £000	Value at 31 July 2014 £000
Equities	44,374	38,212	41,442
Diversified Growth Fund	27,363	27,438	25,782
Property	10,784	10,132	-
Multi-Asset Credit Fund	11,947	11,685	11,389
Other	108	170	474
	<u>94,576</u>	<u>87,637</u>	<u>79,087</u>

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

	As at 31 July 2016 £000	As at 31 July 2015 £000
Total fair value of scheme assets	94,576	87,637
Present value of scheme liabilities	(135,001)	(113,135)
Deficit in scheme - Net pension liability	<u>(40,425)</u>	<u>(25,498)</u>

Changes in the present value of the defined benefit liabilities

Opening fair value of scheme assets	87,637	79,087
Interest income on scheme assets	3,343	3,405
Return on assets in excess of interest income on scheme assets	4,151	5,551
Contributions by employer	4,148	3,951
Contributions by members	90	68
Benefits paid	(4,067)	(3,835)
Admin expenses paid	(726)	(590)
Closing fair value of scheme assets	<u>94,576</u>	<u>87,637</u>

NOTES TO THE ACCOUNTS
As at 31 July 2016

30 Pension Schemes (Cont'd)

	As at 31 July 2016 £000	As at 31 July 2015 £000
Changes in the present value of the defined benefit liabilities		
Opening defined benefit liability	113,135	104,511
Current service cost	3,717	3,250
Interest Cost	4,320	4,496
Employee contributions	90	68
Actuarial losses – change in financial assumptions	23,240	6,296
Actuarial gains – change in demographic assumptions	(785)	(1,651)
Experience gain on benefit obligation	(4,649)	-
Benefits paid	(4,067)	(3,835)
Closing defined benefit liability	135,001	113,135
 Amounts charged to statement of consolidated income:		
Current service cost	3,717	3,250
Administrative expenses	726	590
Total operating charge	4,443	3,840
	As at 31 July 2016 £000	As at 31 July 2015 £000
Net finance charge on pension scheme		
Interest income on scheme assets	3,343	3,405
Interest on pension scheme liabilities	(4,320)	(4,496)
Net charge to other finance income	(977)	(1,091)
	Year ended 31 July 2016 £000	Year ended 31 July 2015 £000
Analysis of other comprehensive income		
Gain on scheme assets	4,151	5,551
Experience gain arising on benefit obligation	4,649	-
Actuarial losses – change in financial assumptions	(23,240)	(6,296)
Actuarial gain – change in demographic assumptions	785	1,651
Total actuarial loss recognised in SOCI&E	(13,655)	(906)

NOTES TO THE ACCOUNTS
As at 31 July 2016

30 Pension Schemes (Cont'd)

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

	Year ended 31 July 2016	Year ended 31 July 2015
	£000	£000
Deficit on scheme at 1 August	(25,498)	(25,424)
<i>Movement in year:</i>		
Current service cost	(3,717)	(3,250)
Administrative expenses	(726)	(590)
Contributions	4,148	3,951
Other finance charge	(977)	(1,091)
Actuarial (loss) / gain	(13,655)	906
Deficit on scheme at 31 July	(40,425)	(25,498)

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

	Year ended 31 July 2016	Year ended 31 July 2015
	<u>20.23%</u>	<u>20.23%</u>

The estimated contribution to be paid to the scheme for the next accounting period is £2.938 million. The employer's contribution to be paid next year is based on the current members of the scheme as at 31 July 2016.

History of experience gains and (losses)	2016	2015	2014	2013	2012
Difference between the expected and actual return on scheme assets					
Amount (£000)	4,151	5,551	(2,309)	7,690	(5,645)
Percentage of scheme assets	4.4%	6.3%	2.9%	10.3%	9.2%
Experience gains and losses on scheme liabilities					
Amount (£000)	4,649	-	(434)	900	(1,740)
Percentage of the present value of the scheme liabilities	3.4%	-	0.4%	1%	1.9%

31 Transition to FRS102 and the 2015 SORP

As explained in the accounting policies, these are the University's first financial statements prepared in accordance with FRS 102 and the SORP. The accounting policies set out in Note 1 have been applied in preparing the financial statements for the year ended 2016, the comparative information presented in these financial statements for the year ended 2015 and in the preparation of an opening FRS 102 Statement of Financial Position at 1 August 2014. In preparing its FRS 102, SORP based Statement of Financial Position, the University has adjusted amounts reported previously in financial statements prepared in accordance with its old basis of accounting (2007 SORP). An explanation of how the transition to FRS 102 and the SORP has affected the University's financial position, financial performance and cash flows is set out in the following tables

NOTES TO THE ACCOUNTS

As at 31 July 2016

31 Transition to FRS102 and the 2015 SORP (Cont'd)

	1 August 2014		31 July 2015	
	Consolidated £000	University £000	Consolidated £000	University £000
Financial position				
Total reserves under 2007 SORP	160,416	159,207	187,981	187,252
Tangible Fixed Assets revaluation / componentisation	76,966	76,966	77,965	77,965
Heritage Assets revaluation	38,002	38,002	38,002	38,002
Investment properties	8,986	8,986	8,986	8,986
Interest rate swap	(6,627)	(6,627)	(7,263)	(7,263)
USS pension provision	(11,359)	(11,359)	(23,589)	(23,589)
Restricted donations with performance conditions	(1,709)	(1,709)	(2,001)	(2,001)
Employee leave accrual	(3,840)	(3,840)	(3,949)	(3,949)
Total effect of transition to FRS 102	100,419	100,419	88,151	88,151
Total reserves under 2015 SORP	260,835	259,626	276,132	275,403

	Year Ended 31 July 2015	
	Consolidated £000	University £000
Financial Performance		
Surplus for the year under 2007 SORP	12,321	12,801
USS pension provision	(12,230)	(12,230)
Movement on donations with performance conditions	(292)	(292)
Componentisation of assets	999	999
Employee leave accrual	(109)	(109)
Interest rate swap	(636)	(636)
Grant income received in year	9,995	9,995
Endowments transfer	(1,529)	(1,529)
<u>Included in the STRGL under the 2007 SORP:</u>		
New endowments	2,290	2,290
Endowment appreciation	5,924	5,924
Actuarial loss on S&LAS pension	(1,436)	(1,436)
Total effect of transition to FRS 102	2,976	2,976
Total comprehensive income for the year under 2015 SORP	15,297	15,777

Cash Flows

The only impact of the transition to FRS 102 on the cash flows of the University or the Group is the reclassification of some short term investments to cash and cash equivalents.