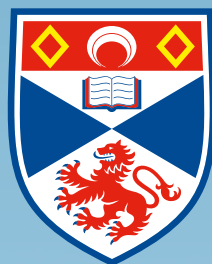


Reports and Financial Statements of the University Court

for the year to 31 July 2020



University of
St Andrews

FOUNDED
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Strategic Report



Vision

Our fundamental goal is to attract the best staff and nurture the most promising students from around the world.

Strategy at a glance

Our five-year Strategy sets out how we will act on our core qualities and key ambitions to grow in size, scale, and impact, and to consolidate our strengths and look for new opportunities. We will do this in ways which respect and support our people, our values, and our environment. This Strategy expresses our ambitions across four distinct but equally important themes: **World-leading St Andrews**, **Diverse St Andrews**, **Global St Andrews**, and **Entrepreneurial St Andrews**, underpinned by a recognition of our **Social Responsibility**.

World-leading St Andrews will:

- Be innovative in our approach to supporting teaching, research, outreach, and impact
- Promote areas of world-leading research that provide international leadership, engage with big societal questions, have the highest level of integrity, and the potential to resonate externally
- Intersect with Global St Andrews and Entrepreneurial St Andrews to bring through new areas for research and teaching where they demonstrate the capacity to add value at an outstanding level
- Promote working across disciplines and interdisciplinarity in our priority areas
- Invest in degree-level teaching so that it retains its high quality and is centred on research-led content, a positive learning environment, and direct engagement with our students
- Look ahead to deliver teaching that also responds to changed needs in life-long learning, professional education, skills, social responsibility, and environmental sustainability

Diverse St Andrews will:

- Enable the University of St Andrews to be identified in the next decade as an institution that is inclusive, inspirational, and incentivised to go on being so
- Embed the structures that let students and staff develop their potential, in energising rather than bureaucratic ways
- Work strategically to remove the gender pay gap

- Improve provision for disabled staff and students and involve all staff and students in so doing
- Give focus to intersectionality and the promotion of a strongly diverse community
- Develop a reward structure that values sustained commitment to diversity, inclusivity, fairness, and social responsibility

Global St Andrews will:

- Develop the scale, quality, and value of the University's international networks
- Provide coordinated support and frameworks for staff leading on collaboration, international research, and curriculum development
- Enhance our academic activities and recruitment in existing markets such as Europe and North America, and in emerging markets such as China and India
- Provide an incubator for emerging initiatives that respond to global trends
- Provide a welcoming gateway for the world to come to St Andrews
- Enable further access to opportunities globally for students and staff

Entrepreneurial St Andrews will:

- Develop an entrepreneurial culture which attracts others to seek the development of solutions with the University
- Create support structures that enable effective engagement between researchers, industry, business, policy makers, students, alumni, and investors, and develop and support our enterprise education portfolio
- Enable start-ups to become active and sustainable enterprises
- Establish investment vehicles and opportunities for supporting sustainable innovation
- Develop a rounded strategy for the exploitation of intellectual property
- Ensure that entrepreneurial engagement is University-wide, with a clear place for the Arts, Humanities, and Social Sciences
- Develop a horizon-scanning environment to engage with leaders from industry

University Social Responsibility

In implementing our strategic plan, we will act ethically, transparently, sustainably, and for the wider public benefit at all times. This broad commitment to social responsibility and sustainability will shape our policies, practices, and respect for our environment. We will involve our students, staff, trade unions, alumni, partners, suppliers, and our wider communities in developing and delivering the actions and strategies required to embed this in our day to day activities.

We believe that social responsibility is a deep-woven thread which already runs through much of what we do, but we acknowledge that this is the first time in six centuries that the University of St Andrews will visibly place social responsibility at the heart of its strategic plan.

Realising the Vision

We will always stay true to our values and the Homeric motto that expresses our determination to move forward with purpose, integrity, and success: Ever to Excel.

Preparation of the financial statements

The financial statements for the year to 31 July 2020 have been prepared in accordance with the Statement of Recommended Practice: Accounting for Further and Higher Education 2019 (SORP 2019) and the Scottish Funding Council's (SFC) annual Accounts Direction.

As noted in the Statement of Principal Accounting Policies on page 38, the financial statements have been prepared on a historical cost basis as modified to include investments and financial instruments at their market value.

Foreword

The second half of the financial year has been dominated by tackling the consequences of Covid-19. The safety of our students, staff and community is our overriding priority. It has been our focus from the outset of the pandemic and has guided every part of our response to date.

Like all crises, the Covid-19 crisis will pass in time but its impact in the longer term, from both a societal and economic perspective, is likely to be profound. Our fundamental goal is to continue to deliver excellence in teaching and research, ensuring the University emerges from Covid-19 in a strong and stable position.

It is important to recognise the University is operating in a very challenging environment as a result of Covid-19.

This, coupled with ever increasing cost pressures, particularly relating to pension provision and a static government funding regime, invariably means we have to make efficiencies while continuing to attract the best staff and the most promising students from around the world, providing a safe and welcoming environment in which they can produce their best work for maximum societal benefit.

Results for the year

Overview

Despite the impact of Covid-19 in the second half of the year, our headline performance for the year was positive, with the University's total income growing by 1.6% to £261.7m resulting in an overall surplus of £8.1m (£35.3m deficit in 2018/19).

FRS102 brings greater volatility to the reported financial position as a result of non-cash items such as the movement of pension liabilities, actuarial movements and investment gains/losses. As a result the emphasis for financial management is placed on the underlying results that excludes these. In addition, significant one-off transactions such as capital donations and insurance income in relation to the major fire at the Biomolecular Sciences Research Building (BMS building) in February 2019 are removed, together with any new endowment funds for investment, resulting in an underlying operating deficit of £2.0m.

Covid-19 has impacted on the underlying results for the year with St Andrews releasing students from their accommodation contracts at the start of the national lockdown, resulting in a reduction of £4.4m income, together with loss of summer school, conference and hotel income. This, in part, has been offset by reduced other operating expenditure and £2.9m from the UK Government's Coronavirus Job Retention Scheme (CJRS).

In order to protect the University's cash position at the height of volatility as a result of Covid-19 the University secured a £25.0m four-year Revolving Credit Facility (RCF). A first call of £10.0m was taken in late July 2020 to provide liquidity cover relating to tuition and accommodation fees through a tumultuous summer period of uncertainty relating to travel restrictions and examination results. This was repaid in full on 28th September 2020.

Reconciliation to underlying (deficit)/surplus

	Note	Consolidated Period Ended 31 July 2020 £000	Consolidated Period Ended 31 July 2019 £000
Total Comprehensive Income for the year	SOCI	8,089	(35,259)
Less material non-recurring items:			
i) Impact of pension costs	(a)	24,478	(43,385)
ii) Capital donations	4	3,139	5,410
iii) BMS fire (net)	4 & 9	3,998	-
iv) Historic VAT claim		-	2,000
		31,615	(35,975)
v) New endowments	23	1,418	6,217
vi) Other gains	SOCI	2,589	5,045
vii) Actuarial losses	SOCI	(25,487)	(13,035)
Underlying (deficit)/surplus for the year		(2,046)	2,489
a) Impact of pension costs:			
i) USS Pension release/(provision)	7	28,804	(39,293)
ii) USS Pension net finance costs	8	(956)	(455)
iii) S&LAS net pension charge	(b)	(2,279)	(2,749)
iv) S&LAS Pension net finance costs	8	(1,091)	(888)
Gain/(Loss)		24,478	(43,385)
b) S&LAS pension costs charged to statement of consolidated income:			
i) Total operating charge	32	(6,899)	(7,045)
ii) Employer contributions	32	4,620	4,296
		(2,279)	(2,749)

The financial plan for 2019/20 included recurring efficiency savings of £3.0m for the year with £2.8m of salary savings achieved throughout the year. Further post Covid-19 savings were achieved, but not in the way we anticipated as we responded to the pandemic, driving an underspend in other operating expenditure.

Recognising the significant impact Covid-19 has had on the University, the 2020/21 financial plan, based on a series of assumptions relating to student numbers, student accommodation and staffing investments, requires savings of £10.8m. As agreed by the Principal's Office, £5.8m has been implemented from non-staff operational budgets, £2.0m of planned investment has been deferred, with a further £3.0m of non-recurring savings to be identified once it is clear where student numbers settle.

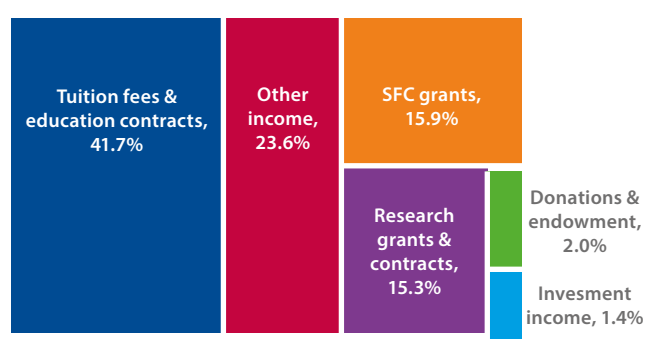
A recurring savings target of £5.0m and a net new income growth target of £2.0m have been assumed across 2021/22 and 2022/23 to address the forecast gap between inflationary cost pressures and related income. Whilst management are focussed on achieving these targets required to ensure long term financial sustainability of the University, the speed and how this is achieved will need

to reflect a post Covid-19 world. The impact on recruitment and, critically, retention of students, in a new digital and travel restricted world adds layers of volatility, but opportunities, which the University will need to embrace.

Income

Total income increased by 1.6% to £261.7m.

Sources of income



Refer to Consolidated Statement of Comprehensive Income, page 45

Tuition fee income rose by 4.2% to £109.2m, reflecting growth in income from overseas undergraduates and postgraduates. Application levels from high quality overseas students continue to grow year on year. The competition to attract these students, however, is increasing. In response to this, the University's strategy is to maintain its excellent standards and reputation for world leading research-led teaching whilst looking to diversify and grow its market.

Funding body grants totalled £41.7m. The current SFC grant of £38.8m, which is a small reduction of £0.2m from the prior year, represents a continuing static grant settlement, a significant constraint of the current Scottish Government funding regime, with no recognition of inflationary pressures. This failure to keep track with inflation increases reliance on income growth from other sources and is identified as a key risk for the University. In addition to the SFC grant, the University received £2.9m from the HM Treasury Coronavirus Job Retention Scheme (CJRS).

Research income has increased by 1.5% from £39.4m to £40.0m in 2019/20 and has held up resiliently well in the context of Covid-19 with activity continuing remotely, where possible, during lockdown. Higher activity from unbudgeted research contracts such as our large European & Developing Countries Clinical Trials Partnership (EDCTP) of £1.8m has offset some of the decreases in other research activity areas as a result of Covid-19. Research awards are up on the three-year average, but this is against a backdrop of lower research applications overall in year suggesting that the medium-term outlook remains static. Most noticeably there was a decline in EU applications as a result of uncertainty around Brexit. The Government's announcement to provide funding support for all successful UK bids in relation to EU research grants was received after a key closing date for European Research Council (ERC) Advanced Call applications. Due to this uncertainty, many fewer applications were submitted.

At £61.8m other income overall has not changed significantly from prior year, however contained within this are a number of significant movements. Included within the other income is insurance compensation relating to the BMS fire of £16.0m (2018/19: £4.6m). Excluding this, underlying other income has decreased year on year by £11.0m and reflects the effects of Covid-19. In addition, the University was one of the first in the UK to release students from their accommodation contracts, with a significant loss of accommodation income. However, given the extraordinary circumstances that rolled out from mid-March, this was a fair and positive stance for our student body. The loss of summer conferences, hotel accommodation and sports memberships to lockdown restrictions also hit the University significantly. This was partly offset by income from the Coronavirus Job Retention Scheme. Capital donations of £3.1m were

received with £2.3m towards the new custom-designed Laidlaw Music Centre.

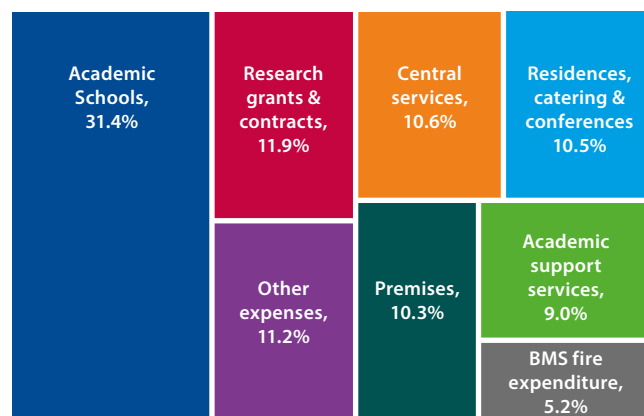
Investment income, derived mainly from the University's endowment fund, helps to support scholarships across the University, along with supporting widening access initiatives and providing help with accommodation costs through student bursaries. This income increased by 1.2% to £3.8m.

Donations and endowments in year have decreased by £4.1m to a total of £5.2m (2018/9 included an exceptional one-off permanent endowment transfer of £5.0m from the Robert T Jones Trust). £1.4m relates to new permanent endowments with £3.8m being expendable donations. Non-endowed donations increased by £0.7m reflecting the belief of friends and supporters in what we do. In particular, the response to the St Andrews Principal's Strategic Response Fund, a Covid-19 focused appeal to help our students, support research that will contribute to the defeat of Covid-19, engage with and support our local community, and to reach areas of greatest need at this time, has received considerable support.

Expenditure

Total expenditure decreased by 23.4% to £230.6m. Although total expenditure has decreased by £54.1m, this is predominantly due to pension accounting adjustments relating to our USS and S&LAS pension schemes, as shown in the staff costs reconciliation table below. Excluding these pension movements, and BMS fire expenditure of £11.9m (2018/19: £4.3m) (note 9), underlying expenditure has increased by £6.9m to £245.3m mainly driven by increased staff costs.

Analysis of total expenditure by activity



Refer to Note 9, Analysis of Expenditure by Activity, page 59

Staff costs have decreased by £61.9m to £116.3m representing a decrease of 53.2%. This includes pension adjustments as shown below. Excluding these, underlying staff costs have increased by £6.7m (4.7%) to £142.8m.

Reconciliation to underlying staff costs

	Note	Consolidated Period Ended 31 July 2020 £000	Consolidated Period Ended 31 July 2019 £000
Total staff costs	(7)	116,305	178,204
Pension adjustments:			
– USS pension adjustment	(7)	28,804	(39,293)
– S&LAS net pension charge	(b)	(2,279)	(2,749)
		26,525	(42,043)
Underlying staff costs		142,830	136,162

Staffing levels are reviewed monthly by the Workforce Planning Group to ensure the quality of our teaching and research remains, and our professional services are efficient and effective, whilst living within the tight financial constraints the University operates within. The decrease in the USS pension deficit reflects the completion of the 2018 actuarial valuation and the new deficit recovery plan set out further in note 32.

Other expenditure has increased by £6.2m (6.6%) to £93.5m from last year's figure of £87.3m. This includes expenditure relating to the BMS fire of £10.8m (2018/19: £3.7m). Excluding BMS fire costs from both this year and last, other expenditure has decreased year on year by £0.9m (1.1%). A general underspend across most areas occurred notably in residencies and estate maintenance but also travel, recruitment and outreach work across the University as a result of Covid-19.

Depreciation increased by £1.0m to £14.7m for the year, reflecting increased capital investment in line with the University's plans although slightly behind expectation due to delays in completing projects as a result of Covid-19. The Laidlaw Music Centre and Walter Bower House at Eden Campus were due to open in early 2020 but both were delayed until Autumn 2020. Included within this is £0.8m relating to depreciation of the Willie Russell temporary laboratories which came on-line during the year as part of the response to the BMS fire.

Interest and other finance costs have increased slightly from £5.4m to £6.1m. £4.1m is interest payable on long-term debt and is unchanged from the prior year with the balance of £2.0m being the net finance charge related to the increased pension provisions.

Non-operational income and spend

Endowment Investments

Covid-19 has inevitably had a major impact on investment values for the year, despite this, our combined endowment funds have grown by 7.0% and saw net investment values increase by £3.2m in the year. It's been a mixed year of returns across our respective fund managers, reflecting

the volatility seen in the global economy. A change in the University's asset allocation strategy relating to endowment investments in 2018, to help mitigate risk, has contributed to the positive return. Investment properties were revalued at 31 July 2020 resulting in a decrease of £0.3m.

S&LAS Local Defined Benefit Pension Scheme

Actuarial losses relating to the S&LAS pension scheme have increased the obligation by £25.5m, with decreases in discount rates and a lower than expected investment return the main reasons for the increased losses.

Balance Sheet

Total net assets increased by £8.1m to £309.2m at year end. The increase in capital investment and endowment fund appreciation in the year is partly offset by a reduction in net current assets, pensions, and other provisions.

The University continued to invest heavily in the estate via its strategic capital investment plan, with around £50.1m of capital additions in the year. Covid-19 brought that to an end in March 2020, with construction put on hold until it was safe to resume, in line with Scottish Government guidance. This created some delays with the completion of the Laidlaw Music Centre and Walter Bower House at Eden Campus, the professional services building (PSR), delayed until late Autumn 2020. The construction of fully equipped temporary laboratories for the School of Biology and the refurbishment of the Purdie laboratories for the School of Chemistry, following the BMS fire in 2019, has enabled research activities to restart and will be in place for some time until the restoration of the BMS building is complete. Investment was also made in reducing our carbon footprint through reduced carbon emissions and innovations to reduce costs.

Spend on the University's successful bid as part of the Tay Cities Deal is in its early stages with the Scottish and UK Governments finally endorsing the Full Business Case for the Eden Campus in Guardbridge on 3 September 2020, thereby releasing £26.5m from the Tay Cities Deal.

This opens a new chapter for the University and plans to establish a cutting-edge platform for academic-industry collaboration in the fields of advanced manufacturing, clean energy generation, and energy storage can now advance. The investment will also fund space for entrepreneurship at the Eden Campus, with the potential to promote inclusive growth and help stimulate economic recovery. The forward-looking nature of the Eden Campus development has already allowed us to successfully leverage funding from other sources, including Fife Council, the Advancing Manufacturing Challenge Fund, the Scottish Funding Council, Scottish Power Energy Networks, and alumni. Its realisation has a vital role to play in supporting our academics to access both research and impact orientated funding in the future. This is a long-term major investment programme and will continue for a number of years.

The strategic capital investment plan will be re-evaluated once student numbers for 2020/21 have been secured and the strategic requirements of the University in the post Covid-19 world become clearer. The areas for investment previously identified, including the development of the Madras site in the centre of St Andrews, and expansion of space on the North Haugh to support growth in research and teaching, remain key elements of our investment plans. A balance of cash generation and investment in staff and infrastructure will ensure the long-term financial sustainability of the University.

Our longer-term investments – primarily endowments invested in sustainable and socially responsible funds – increased in value by around £10.9m in the year reflecting the £5.0m investment of Robert T Jones Trust income from the prior year, along with a combination of new donations, investment income and a strong performance by our fund managers in an otherwise volatile time for the global markets.

Net Current Liabilities

Net current liabilities of £26.4m (2018/19: assets of £3.8m) have increased reflecting a reduction in our cash as we invested in our estate including Eden Campus as part of the Tay Cities Deal, along with an increase in current liabilities representing a £10.0m drawdown on our new RCF. Despite the increase in net current liabilities, liquidity headroom for the group as at 31 July 2020 remained robust at £51.4m reflecting our financially strong and stable position. Liquidity continues to increase post year end with headroom of £84.8m as at 30th September 2020. This is further outlined in the going concern assessment on pages 38-39.

Creditors: amounts falling due after one year

Long term creditors have remained consistent during the year at £111.3m comprising wholly of borrowing.

Provision and pension schemes

Pension provisions have increased by a net £1.0m in the year to £108.8m, with an increase in the S&LAS pension obligation of £28.8m offset by a decrease in the USS provision of £27.8m,

The S&LAS liability was recalculated at the end of the year following a valuation of the scheme by Isio (formerly KPMG). The increase in net liabilities of the S&LAS scheme are a result of a drop in discount rate of 0.75%, in line with that seen being applied to the USS scheme, and a fall in asset values, partially offset by a small (0.3%) decrease in inflation.

The USS pension liability was recalculated, based on the 31 March 2018 valuation, as agreed by the Trustees, but using up to date assumptions at 31 July 2020 (note 32). The 2018 schedule of contributions, which covers the period from 1 October 2019 to 31 March 2028, decreased the deficit recovery contributions from 5% to 2% from October 2019 to 30 September 2021 and then up to 6% from 1 October 2021 to 31 March 2028. Mercer (on behalf of the British Universities Finance Directors Group) issued guidance in August 2020 regarding current year discount factor rates resulting in a drop from 1.58% to 0.73%. Adjustments were also made to payroll growth assumptions resulting in a decrease in forecast liabilities.

USS update

Economic uncertainties continue to compound the challenges facing the University's largest pension scheme, USS. Since the previous report, gilt yields have not recovered any ground and investment performance is volatile as a result of the global pandemic. This combination of factors means that any narrowing of the gap between assets and liabilities in the scheme has not occurred.

The USS Trustee has now published (7 September 2020) the consultation document on Technical Provisions for the 2020 valuation, carried out as at 31 March 2020, which they continued to carry out in the full knowledge that the markets, and therefore asset valuations, hit a low point. They have significantly recovered since that point in time. Whilst the Technical Provisions reflect, as anticipated, some of the recommendations from the Joint Expert Panel report (in particular in relation to the adoption of a dual discount rate), the impact of the collapse in global markets is reflected in a sharp increase in the deficit calculation and in the prospects for future contribution rates.

Rather than a single figure, this valuation presents a range of potential contributions and discount rates, depending on still-to-be decided assumptions on the strength of the covenant and deficit recovery periods. The Trustee is clear that a decision on the strength of the covenant will be contingent on agreement to the debt monitoring framework and *pari passu* arrangements, and to a long-term rule change on employer exits. Whilst the impact of these proposals on St Andrews is relatively

slight, other HEIs with higher levels of secured debt have expressed serious reservations about them.

The options provided in the consultation document give a deficit calculation that ranges from £9.8bn to £17.9bn, and a range of contributions from 40.8% to 67.9% of payroll. By comparison, the current rate is 30.7%. Although deficit recovery assumptions will be a key element in the calculations, the Trustee has chosen not to include their deficit recovery plan as part of the consultation exercise.

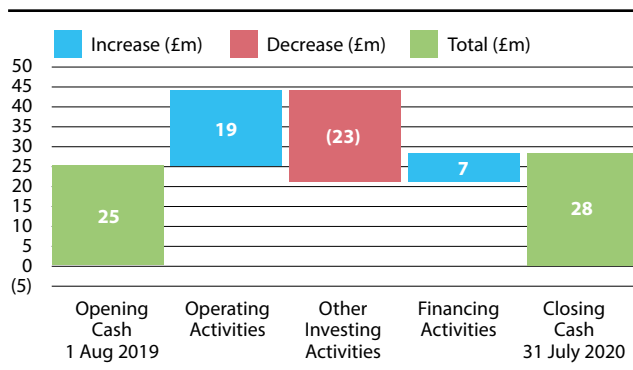
Even the most optimistic of these scenarios would represent a significant increase in overall contribution rates that would clearly be unaffordable in the current economic climate for both employers and scheme members. Given that the “backstop” arrangements that were part of the agreement to finalise the 2018 valuation envisaged a rise to 34.7% from October 2021 in the event that the 2020 valuation failed to reach agreement, there is little likelihood, and little incentive, for the 2020 valuation to conclude by the deadline of 30 June 2021.

Cashflow and financing

Cash and short-term investment balances decreased by £21.8m in the year. Increased capital spend (prior to Covid-19), the loss of student accommodation income, the loss of other summer income, and decreases in advance tuition fee receipts relating to the 2020/21 academic year, reduced cash balances in the year from that expected. No capital repayments towards long-term loans were made this year to preserve liquidity during an uncertain and volatile environment as a result of the pandemic.

Included within the year end cash balance is a £10m draw down on a new four year £25m revolving credit facility (RCF) agreed in July 2020, which was established to support the liquidity position through the Covid-19 crisis. Significant work was undertaken with all our existing long-term debt providers, whilst arranging the new RCF, to align, where possible, all covenants. This work, carried out at the peak of the initial impact of Covid-19, significantly strengthened the medium term cash resilience of the University, whilst further enhancing our reputation with our long-term funding partners.

Cashflow Statement 2019/2020



Refer to Consolidated Statement of Cash Flows, page 51

As shown in the cashflow statement above, our operating activities generated a cash inflow of £19.4m (2018/9: £30.2m). Having taken account of capital investment, investment income and borrowing costs, the overall group cash inflow was £3.6m (including the drawdown of £10m from the RCF), compared with a £4.5m outflow for the year to 31 July 2019.

The University has increased its external debt with the newly acquired RCF. This comfortably sits within the Consolidated Total Assets to External Debt financial covenant.

Key Performance Indicators

The University measures its performance against a number of Key Performance Indicators (KPI's) that are reported within five main headings linking to the University Strategy 2018-23, being: World-Leading; Diverse; Global; Entrepreneurial; and Size, Shape and Sustainability. Performance against target for each of the KPIs is reported via the Planning and Resources Committee to Court (PARC) on a quarterly basis using a Red, Amber, Green (RAG) system which allows Court members to focus on areas of concern. Following the adoption of the new University Strategy a new set of key performance indicators were developed, with 2019 being the first year. A summary of the main conclusions is set out below.

World-Leading

Overall, this Pillar presents as amber for year end. Research grant award values have shown a growth compared to the three-year average (up £2.9m to £46.4m), although this success is focussed on good performance in a small number of Schools. A continuing challenge remains increasing the value of research applications particularly in regard to European funding and colleagues across the University continue to work with researchers and funders to identify appropriate opportunities. We have risen to the demands of short-term Covid-19 related research funds and have completed applications at very short notice that have subsequently been funded. We have opened the process for internal applications for Schools to bid for our allocation of the additional £75.0m allocated to the sector for Covid-19 related research.

The amber status also reflects the importance of our declining performance in international league tables. The Academic Reputation Action Group continues to oversee activities aimed at stabilising and improving reputation scores. We have identified issues with citation rates as a contributing factor and work both with academic Schools and centrally to improve citation rates and to identify research outputs that are not properly recognised within citation data collection systems.

Student satisfaction remains very high, ranking top in the UK for the twelfth time in fourteen years.

Diverse

This Pillar presents as amber overall. Across a number of the indicators of progress, our baseline position is strong, such as for student diversity, attainment and retention. The People Strategy action plan is being progressed and we continue to engage in a number of strategies aimed at addressing gender imbalance. We will ensure that the impact of any mitigating strategies related to the Covid-19 pandemic are cognisant of any impact on this Pillar, groups and individuals.

Global

Overall, this Pillar presents as amber. We continue to engage with and grow our strategic partnerships. The overall quality of institutions and individuals we form partnerships with remains strong and we are continuing to engage proactively and positively with our key partners. For example, following a recent Strategic Board meeting with one of our partners, we have agreed to explore the development of joint appointments and the potential for a joint institute long-term, as well as the development of a global network of universities.

The performance in reputation measures for the THE and QS reputation rankings is improving but we seek to improve our position further via activities co-ordinated via the Academic Reputation Action Group.

Entrepreneurial

Overall, this Pillar presents as amber. Our ability to capitalise on entrepreneurial activities and diversify is of key importance as we look to the future. On Thursday 3 September 2020, the University received confirmation from both the UK and Scottish Governments that the full business case for the Eden campus had been endorsed, a key contributor to our future entrepreneurial successes.

As part of the Eden Campus redevelopment, we are advancing a new model that will fuse together expertise with internal and external knowledge, into an environment for experimentation, for the development of new approaches, and consideration of their impact on public policy. Following a delay resulting from the pandemic, contractors have recommenced their activities on the Eden campus site.

Size, shape and sustainability

Overall, this set of indicators continue to present as amber. Student number growth continues to be managed in a planned way through the Student Number Planning Group, chaired by the Master with cognisance to space and staffing resource constraints, and whilst managing the impact of the global pandemic and of Brexit. All indications are that we have been very successful in securing a high-quality student intake for September 2020 above target across all cohorts. This not only provides strong evidence of demand to be part of the

St Andrews family, but provides confidence of future financial sustainability. Whilst the external funding environment is presenting some challenges, the indicators are in general presenting as stable compared with the previous year. Salary costs have increased as a percentage of operating income compared with last year. We continue on our plan to be carbon neutral for energy by 2035, with a 2.5% decrease in carbon emissions compared with the previous year whilst investing in innovative ways to reduce our carbon emissions across the estate.

Reputation and achievements

The University of St Andrews, as Scotland's first university, stands for research and teaching of the highest quality and the pursuit of knowledge for the common good. Our fundamental goal is to attract and nurture the best staff and the most promising students to Scotland from around the world and provide an environment in which they can produce their best work for maximum societal benefit. We continue to attract highly skilled students and staff from over 140 countries to Scotland.

It was a successful year for the University. St Andrews is one of three Scottish universities ranked in the World Top 100, and we continue to secure top 5 placings in the UK domestic rankings. We were named UK University of the Year in The Times and ranked second in the UK for the second year running in the Guardian University Guide. We ranked third in the Sunday Times Good University Guide 2020 and the Complete University Guide 2021. We saw improvements in the QS World university rankings, rising four places to 96 in the QS World University Rankings. Our academic reputation improved by six positions and our employer reputation improved by 46 positions.

Our student academic experience, already recognised by a Gold TEF award in 2017, ranked top in the UK again this year. The National Student Survey 2020 results were published on 15 July 2020. St Andrews was the UK's top mainstream university, and the only institution with a higher than 90% overall satisfaction. This is the twelfth time in the past fourteen years that we have been amongst the very top performing institutions. We ranked top in five subject areas and an additional 15 subjects ranked in the top 10. This exceptionally positive feedback from our student community confirms our commitment to the very highest standards of learning, teaching and student experience.

On the international stage, emphasising our ability to connect and collaborate on a global scale, we ranked 37 worldwide in the CWTS Leiden Ranking for the proportion of research publications involving co-authors from overseas institutions. 70.3% of our publications included overseas co-authors, up from 69.7% last year. Closer to home, the University of St Andrews has been

awarded £1.1m to develop a world-class test space that will enable academics, technicians and small and medium-sized companies to work together at its Eden Campus site at Guardbridge. Additionally, we remain a sector leader in making research accessible, ranking 5 overall worldwide for the proportion of Open Access articles. 89.1% of our research was Open Access, reflecting the University's well embedded Open Access processes.

In addition to our achievements, the University has also had considerable success in relation to social responsibility. This year the University launched a community fund. The £30,000-a-year fund is designed to support groups and activities in St Andrews and the surrounding area. Although the Fund was conceived before the Covid-19 crisis, the University recognised that key to a community's recovery and the very fabric of life in communities are the many small voluntary bodies that are responding to the needs of their residents during the pandemic. Through the Principal's Strategic Response Fund, (a separate appeal to help our students support research that will contribute to the defeat of Covid-19, engage with and support our local community, and to reach areas of greatest need at this time), the opportunity to support the University Community Fund was established and to date the fund has been donated over £78,000 to extend the support offered to Town and Gown initiatives. Within the first round of the fund, a diverse range of organisations and activities has been supported. Successful applications included projects that tackle domestic abuse; made available PPE (personal protective equipment); and support the continued education and culture opportunities for young people including virtual music lessons, I.T equipment, and a creative pen pals initiative. In addition, our students' charities campaign raised over £100,000, with Women for Women (international), CALM (national), and The Yard Fife (local) all benefitting from the proceeds. The University was also officially awarded University of Sanctuary status at an event in the town to mark its efforts to help refugees, asylum seekers, and those fleeing war, violence and persecution, and we became one of the first universities in the country to be awarded the new Fairtrade University two-stars status.

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

Principal risks and uncertainties

In pursuing its key strategic aims and objectives to achieve excellence in world-leading, diverse, global and entrepreneurial St Andrews, the University will inevitably undertake activities which incur a level of risk. The way

in which these risks are managed, through an effective risk management function, is fundamental to our success. Effective risk management will both reduce the likelihood that risks are realised, and their impact in the event that they are. The management of risk at the University of St Andrews is undertaken by the Risk Management Group who report through the Audit and Risk Committee to the University Court who has ultimate responsibility. The Risk Management Group is part of the wider institutional corporate governance structure and more information can be found on pages 17-18.

Risk and Resilience have provided some of the underpinning principles for our mitigation of Covid-19. Since A/H1N1 (Swine Flu) in 2010, we have maintained a communicable disease response plan with the NHS and an internal pandemic checklist. Both of these were widely used, and the pandemic checklist provided useful guidance in the early stages of Covid-19. Our alacrity in setting up a response team enabled the University to act decisively.

At all stages as the crisis escalated, the University took proportionate risk-based decisions and quickly created a Covid-19 operational management framework to draw together all required expertise. This was overseen by the Vice-Principal of Governance and Business Transformation Portfolio Office using sound project management principles to ensure that all activities formed part of a coherent work programme with monitoring of progress, sometimes on a daily basis, and allocation and re-allocation of resource to wherever it was needed.

Residential and Business Services used their established Business Continuity Plan to aid decision making in the early stages of the crisis and were able to deliver services to those students who remained in April 2020, under difficult conditions. IT Services have dedicated significant resource over several years to build resilient platforms which proved their worth by enabling remote working and teaching, a key factor ensuring University activities continued. Whilst staff switched to working using VPN and co-ordinating on MS Teams, academic colleagues moved to a 'blended learning' system, using IT to deliver teaching around the globe. One of three overriding principles for academic solutions was 'Resilience'. Whilst some institutions cancelled examinations, we were able to move to an entirely online system and deliver an examination diet.

Although we have had a pandemic risk on the register since prior to 2009, we took the decision that the scale of Covid-19 necessitated not merely escalation of that pandemic risk, but required full review of all risks on the register in context of the revised operating environment imposed by Covid-19. Risk scoring is undertaken on a five by five matrix basis, using likelihood and severity. Any risk with a score of fifteen or higher is reported to the Audit and Risk Committee. Reflecting these factors, the following identifies specific areas of risk:

Risk	Score	Risk Rating	Increasing/ Decreasing
Pandemic virus	25	■ ■ ■ ■	Stable

This risk encompasses a range of pathogenic illnesses, including exotic diseases, influenza and meningitis outbreaks involving one or more staff or students. It also extends to bioterrorism.

The global Covid-19 pandemic had a significant impact on the University, with the effective closure of much of the estate, the departure of most of our students, the cancellation of Graduation, the suspension of most research activities and the wholesale move to remote learning and assessment for the latter part of 19/20 academic year. In common with the rest of the HE sector, the University has suffered financial losses, including accommodation fees and commercial activities. We began the 2020/21 academic year as scheduled on 14 September, with small group teaching in person within a socially distanced context, where necessary to do so: the majority of lectures and events have been delivered remotely including events for over 35 persons.

Risk	Score	Risk Rating	Increasing/ Decreasing
Cyber attack	25	■ ■ ■ ■	Stable

Cyber security threats typically arise from a number of sources, including criminal or espionage activity and include brute force/credential stuffing attack, social engineering (e.g. phishing), malicious code, and ransomware. Weaknesses arise from system/software management, human error and failure to follow guidelines, especially when working from home. The National Cyber Security Centre (NCSC) cite cyber-attack as an existential threat to UK organisations, with a high risk of operational disruption, loss of revenue and data, reputational damage, possible litigation, and substantial management costs to recover. GDPR fines and penalties are also relevant in this space. Phishing, whether broad spectrum or targeted, remains the most common threat to the University, although a successful ransomware attack would have a much higher impact, as evidenced with recently publicised cases, including Newcastle and Northumbria Universities. The rise of research that is of political interest, including Covid-19 research, increases the risk to some areas of targeted cyber-attack by state actors. Although the University has experienced DDoS attacks, these are currently much lower than the HE sector as a whole. The University continues to identify fraud emails, from low value individual cases to larger and less frequent 'Business Email Compromise' (BEC) type attacks.

Risk	Score	Risk Rating	Increasing/ Decreasing
Brexit	25	■ ■ ■ ■	Stable

The implications of Brexit are regularly discussed by Principles Office and influence broader strategic discussions at Planning and Resources Committee and Court. The Brexit Preparedness Group continues to meet monthly, chaired by the senior Vice-Principal, involving senior management, representatives from HR, Research, Registry, Global, Planning, Corporate Communications and EU Academic staff. The UK left the EU on 31 January 2020 under the auspices of the Withdrawal Agreement, and it was announced on 24 December 2020 that an agreement on future trading relationships had been agreed. The agreement enables UK institutions to continue participation in Horizon Europe but confirmation was also received that the UK will no longer participate in Erasmus+. Significant uncertainty remains whilst we await details regarding the UK replacement scheme (the Turing Scheme). In the context of this new agreement, our main risk exposures are: (1) Staff retention and recruitment; (2) Student recruitment and expectations; (3) pressures from changing demand and supply patterns, and also exchange rate fluctuation; (4) access to the Turing Scheme (UK Erasmus+ replacement) and the ability to run an effective exchange scheme; and (5) maintaining research funding levels to at least equivalent levels pre Brexit.

Risk	Score	Risk Rating	Increasing/ Decreasing
Salary costs	25	■ ■ ■ ■	Stable

The University has for several years experienced real terms funding cuts from public sector sources of financing, putting an increasing reliance on the generation of new and additional forms of income, plus market tolerated price inflation for fee-paying students. At the same time, cost of living increases for staff have been at or below inflation levels for several years. The Covid-19 crisis has highlighted the flaws in the Government's funding model for higher education, which is now widely recognised as broken.

Our ability to manage this risk will depend on continuing to secure cohorts of fee-paying students for the next academic year and beyond and on our ability to identify further efficiencies from operating and staffing costs.

Risk	Score	Risk Rating	Increasing/ Decreasing
Research income	20	■ ■ ■ □	Stable

Research provides prestige, feeds core themes of knowledge and challenge, encourages active researchers to refresh courses, and ensures we can recruit the best people. Reduced research income could be caused by reduced funding availability, poorer quality grant

applications or increased competition. Currently around 20% of our funding comes from EU grants, covering circa £2.0m variable costs per annum, which must be considered at major risk through Brexit, although any grants won before exit will be underwritten for their full term by the UK government. The culture of grant application varies between Schools and a relatively small number of staff are responsible for a high proportion of research income. There is always a vulnerability to losing these staff, which would be especially noticeable due to our size. This is an area of active discussion in looking forward at future growth and staffing opportunities.

Risk	Score	Risk Rating	Increasing/ Decreasing
USS pension liabilities	20	■ ■ ■ □	Increasing

The USS scheme continues to face significant challenges in maintaining current levels of benefit provision without substantial further increases in employer and employee contributions. Contributions have increased to a total of 30.7% of salaries from October 2019. Employers now contribute 21.1% and scheme members 9.6%. Each 1% increase to the pay bill costs the University around circa £0.8m a year. Although we lobby UUK and engage with colleagues, as one of 350 institutional members of USS we have little influence on implementation of changes.

Although the current level of employer contributions (21.1%) was provided for in the University's financial plan, longer-term reforms of USS governance will be essential to avoid future crises in the funding of the scheme. Our capacity to accommodate further increases in costs has been severely constrained by the financial impact of the Covid-19 crisis.

Risk	Score	Risk Rating	Increasing/ Decreasing
Admissions – UG/PGT Overseas	16	■ ■ □ □	Decreasing

Overseas UG and PGT student cohorts, in addition to providing much valued diversity within the student body, are a key source of income for the University. Overseas student fees are set at market rates and in addition to covering the full cost of teaching, also subsidise aspects of research and domestic teaching. The percentage of Overseas student fee income compared with the total income is 26% and as part of the overall tuition fee income 63.5%.

The recruitment of Overseas students happens in a competitive environment in which our brand is powerful attractor. The percentage of Overseas students in our UG and PGT student body was 36% while in Edinburgh and Glasgow it was 29% and 24% respectively.

The interest and commitment of Overseas students to a St Andrews degree remains high and we have managed to secure a healthy number of accepted offers from well

qualified Overseas students. Concerns in relation to Covid-19 remain over the ability of Overseas students to get their visas on time and travel to the UK. This situation may still deter a number of Overseas students as they may be concerned over arriving part-way into the semester or studying remotely for a prolonged period of time.

Risk	Score	Risk Rating	Increasing/ Decreasing
Student behaviour	16	■ ■ □ □	Increasing

Key areas of risk include managing reports of (i) sexual misconduct and (ii) bullying and harassment on social media. One main factor is the use of alcohol and drugs which can affect behaviour, memory, and the ability to protect oneself. Additional and increasingly relevant factors include the public narrative and media interest/pressure in handling and reporting of cases of sexual misconduct. This increases the potential for reputational damage, although our robust processes and continuing development in this area mitigate this somewhat.

Risk	Score	Risk Rating	Increasing/ Decreasing
Student wellbeing	16	■ ■ □ □	Stable

This risk relates to insufficient or inappropriate medical care and treatment available to students, although it also relates to supporting students' wellbeing with consideration required as to the extent of the University's responsibility. Students, families and the media have high expectations of the University to ensure the wellbeing of students and reputational damage can easily result. In a trend which is consistent with other major institutions across the UK, disclosures of mental health disability and presentations of mental ill-health have significantly increased within our student community, which is only partly attributable to increasing student numbers.

Risk	Score	Risk Rating	Increasing/ Decreasing
Estate Capacity	16	■ ■ □ □	Stable

This risk excludes student residential accommodation where capacity is scheduled to increase over the next few years.

There is likely always to be some level of risk associated with our estate for effective running of University business, as the volume and nature of our activities are not always a natural fit with the estate. Money, land and existing buildings create constraints on what can be built, refurbished or developed, yet changing expectations and uses of space, especially by students, mean that we need continually to adapt and update. Our aim always to comply with Equalities legislation also presents challenges connected to some older University buildings.

Against this general background, two factors were creating particular pressures pre-Covid-19: planned growth in student numbers to 10,000 by 2025, and grant successes leading to an increase in postdoctoral and other recruitment. By 2020/21 demand was already exceptionally high for good-quality teaching space, student study places, academic offices, and professional spaces for student-facing Units. Having, in the 2020/21 academic year, already reached our 10,000 strategic target, our estate and the ways in which we use it must develop at pace to release this pressure and continue to provide the excellent employee and student experience associated with our reputation.

These risks are now overlaid by requirements associated with social distancing and infection control. A significant proportion of our estate will be 'lost' for normal purposes due to these precautions. Classes are not feasible in full rooms, ingress and egress are being carefully managed, and ventilation facilities have been altered. Similar restrictions apply for research, library use, office space, etc.

For the immediate future, Covid-safe premises have been successfully provided to enable a gradual increase in in-person teaching and research, albeit largely under capacity for the time being. Remote and shift working and on-line learning are now accepted as a significant part of the norm until Covid-19 restrictions are lifted.

For the longer term, following the relaxation of social distancing, progress depends upon careful coordination across several areas of activity, in particular Admissions, Space and Asset Management Group, and a number of smaller groups tasked with overseeing the strategic growth of student numbers, the quality of teaching infrastructure, and individual capital projects.

Looking forward

The underlying deficit of £2.0m is better than the financial plan for 2019/20, however this by itself will not deliver a financially sustainable future. This was further compounded by the ever-changing travel restrictions and government guidelines as a result of Covid-19. As the impact of Covid-19 began to be laid bare, the Principal's Office took clear and decisive action, not only in dealing with the impacts on the University's staff and students, but on the immediate and underlying pressures on income and expenditure. As a result of this, a recurring savings plan was agreed, and implemented as part of the financial plan for 2020/21 and the subsequent two years, with additional non-recurring savings for 2020/21. This will place us in a strong position as we emerge from this pandemic and safeguard the long-term financial sustainability of the University.

At the time of writing this report, it is clear the demand for students to come to the University of St Andrews continues to remain very strong, with a student cohort exceeding that planned for. With travel

restrictions remaining in place and continuing evidence that Covid-19 remains a very active and live pandemic, the University will continue to work tirelessly to ensure we meet the expectations of staff, students and the wider community in ensuring a safe environment for research and teaching, whilst respecting the safe social distancing guidance.

Embracing a new digital environment across the University has been a significant achievement for staff and students, which has not only helped in managing the inevitable volatility still being seen within our overseas student cohort, but also has given the University new opportunities in looking to the future development of new ways students can access our world leading research and teaching. Discussions across the University have already identified new digital based opportunities, to supplement our St Andrews based research and teaching. Whilst it remains very clear staff and students cherish the intimacy of face to face small group interaction, something we intend to honour within the current constraints as soon as it is safe and practicable to do so, accessing research and teaching digitally will allow new exciting opportunities for all future St Andrews staff and students.

There remain ambitious capital investment aspirations, recognising they may be different to those originally envisaged pre Covid-19. The use of space, the approach to large lectures, the social space, and flows within buildings will be reviewed to ensure new investments match the expectations of users whilst reflecting on how our approach to teaching may be enhanced through the adoption of a greater digital approach.

Our enhanced cash resilience, with a new Revolving Credit Facility in place for the medium term, savings plans delivered tackling the previous underlying deficit, along with strong student recruitment in these changed times, gives us confidence in continuing to plan for a capital investment plan to facilitate future growth. It is also clear that the friends and supporters of the University continue to have faith in the Strategy and vision of the University, and importantly, the ability to continue to deliver excellence in research and teaching. This support and philanthropic giving will further enhance the ability of the University to deliver a world class environment in order to deliver our plans for growth.

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

Andy Goor
Chief Financial Officer
22 January 2021

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

Corporate Governance



Introduction

The University is committed to best practice in all aspects of corporate governance. The University bases its approach and standards on the 2017 Scottish Code of Good HE Governance, but also takes account of good practice guidance elsewhere, including the UK Committee of University Chairs Higher Education Code of Governance, and the CUC guidance on Remuneration Committees published in 2018.

Compliance with relevant legislation

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

Compliance with the Scottish Code of Good Governance

In the opinion of Court, the University complied with all the principles and provisions of the 2017 Scottish Code of Good HE Governance with the exception of paragraphs 19 and 43 of the Code, as a result of the Covid-19 crisis. In both these cases, "comply or explain" letters were sent to the SFC.

The University is fully compliant with the requirements of the HE Governance (Scotland) Act 2016. The election of Ms Catherine Stihler as Senior Lay Member took place in November 2019 and she formally took up the post from 1 August 2020. This was part of a wider reform of Court and Senate to ensure the University met its statutory requirements on membership.

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

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

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

Under the ordinance changes approved by Court and subsequently Her Majesty in Council in 2019, following the consultation process laid out in the Universities (Scotland) Act 1966, the two lay members representing the General Council (the body of alumni and senior academics) are now appointed through the same skills-based assessment process as is used for other co-opted non-executive members, rather than, as previously, by election.

As reported in the 2018/19 statement, the University is adopting the "comply or explain" approach in relation to the Code's recommendation that the membership of the Nominations Committee should have a lay member majority.¹ From 2018 the Governance and Nominations Committee has had two elected staff members, representing both academic and non-academic staff rather than the minimum of one stipulated in the Code. Other members include the Senior Governor, Principal, a student member of Court and two lay members of Court, one of whom is Convener. Court considers that this is consistent with Main Principle 7 of the Code, which states that the nominations committee must have "a suitably inclusive membership to oversee the appointment of new members to the governing body".

Due to the Covid-19 crisis, the University was obliged to postpone the annual public stakeholder meeting that the University is expected to hold under paragraph 43 of the Code. The University also extended to the end of the calendar year the terms of office of three of its lay members (two non-executive members and one General Council Assessor) which were due to expire on 31 July 2020 to maintain continuity of expertise on Court through a critical period, and to avoid running a complex recruitment exercise during the lockdown period. This resulted in two members slightly exceeding the normal 8-year tenure set down in Court's standing orders. In both these cases, "comply or explain" letters were sent to the SFC. Replacement lay members will be recruited to take up office from 1 January 2021 and the public stakeholder event will be revisited next year.

Risk management and internal control

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

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

The internal control environment includes delegated authorities, policies, procedural and system controls, planning and budgetary processes, professional capability in specialist areas, governance structures and management reporting. A Scheme of Delegation is reviewed by the Audit & Risk Committee and approved by Court each year. The current Scheme of Delegation was reviewed in June 2020.

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

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

- The Internal Audit Annual Report 2019/20 presented to Audit & Risk Committee on the adequacy and effectiveness of systems of internal control including governance and risk management;
- Quarterly reports on Risk Management provided to the Audit & Risk Committee and notified to Court;
- An Annual Report on Risk Management presented to the Audit & Risk Committee and notified to Court;
- Comments made by the External Auditors in their report to the Audit & Risk Committee; and
- The work of managers within the institution who have responsibility for the development and maintenance of the internal control framework.

Court considers, on the recommendation of the Audit & Risk Committee, that a risk management process, compliant with the UK Corporate Governance Code, in so far as its provisions apply to the higher education sector, has been in place throughout the year ended 31 July 2020.

Governance structures

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

can be found in section 2.3 of the Court Handbook: www.st-andrews.ac.uk/assets/university/about/documents/governance/court/university-court-handbook.pdf

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

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

Responsibility for the monitoring of risk lies with the Audit & Risk Committee on behalf of Court. The University's Risk Management Group is chaired by the Vice-Principal (Governance) and contains representatives of all key University activities. This Group has responsibility for embedding risk management in all decision-making processes of the University, to ensure that the exposure to risk is continually monitored, and corrective action taken where necessary. Risk management is discussed at each meeting of the Audit & Risk Committee, and a report is provided on key "escalated" risks to each meeting of Court.

Court had five regularly scheduled meetings during the year ended 31 July 2020, one of which was a strategic away day. The overall attendance rate was 96%.² Court has a number of committees with particular areas of responsibility. Court also operates an assurance scheme whereby areas of responsibility are governed by a number of Assurance Groups, each of which includes one or more independent members of Court, with a reporting line to a Court Committee or directly to Court.

Court had, at its meeting of 3 April 2020, approved the establishment of a Reinforced Extraordinary Committee of Court (RECC) to operate between Court meetings and over the summer period. The RECC was given the same decision-making authority as the Extraordinary Committee of Court. RECC met on seven occasions during the period to 31 July and the attendance rate was 98%.

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. Following an election in autumn 2019 held in accordance with the requirements of the HE Governance (Scotland) 2016 Act, the position of Senior Governor was replaced by the Senior Lay Member. Under an agreed protocol, the Senior Lay Member presides over Court in the Rector's absence and undertakes the broader responsibilities of a Chair of Court, including the annual

² Attendance percentages do not include vacancies

appraisal of the Principal and chairing those items of Court concerned with policy, resources, accountability and performance review.

The Court Committees and related Assurance Groups are:

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

In addition, from the beginning of the 2020/21 academic year, a new Assurance Group on People and Diversity has been established, reporting directly to Court and overseeing the delivery of the People Enabling Strategy and progress on the Diverse St Andrews strategic theme.

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

Membership of committees is disclosed in section 1.1. In addition, the University Court receives reports from the University's Superannuation & Life Assurance Scheme, the chair of whose trustees is an independent member of the Court.

The **Audit & Risk Committee** consists of independent members of Court, supplemented by additional co-opted external non-executive members to assist it in its role. The Committee held five scheduled meetings in the year ending 31 July 2020. All meetings were quorate and the overall attendance rate was 86%. The Committee is responsible for reviewing the adequacy and effectiveness of the University's assessment of top-down strategic risks, risk management, internal control, financial governance, the annual financial statements and value for money arrangements. As such, it scrutinises the audit of the University's annual financial statements and keeps under review the effectiveness of the University's corporate governance arrangements as they relate to financial matters, including the Standing Financial Instructions, the Scheme of Delegation and other internal control systems. The Committee is responsible for ensuring compliance with mandatory requirements in relation to the University's audit arrangements as set out in the Financial Memorandum between the University and the Scottish Funding Council. It oversees the University's policies on the investigation of questions of financial irregularity or

impropriety, and receives annual reports on complaints, counter-fraud and whistleblowing. As noted above, the Committee has responsibility for gaining assurance on the adequacy and effectiveness of policies and procedures for risk management, including the identification and assessment of top-down strategic risks that threaten the achievement of the University's strategic plan. In this capacity it receives regular reports from the University's Risk Management Group. In addition, it considers all matters relating to the internal and external audit of the affairs of the University and of those companies controlled by Court and receives regular reports from the internal and external auditors. Whilst senior executives are in regular attendance at meetings of the Audit & Risk Committee, they are not members of the Committee, and the Committee has the opportunity to meet with the internal or external auditors in the absence of University staff.

Three Assurance Groups report to Audit & Risk Committee:

- The Academic Assurance Group oversees the implementation, management and monitoring of the University's quality enhancement strategy and quality assurance procedures. It also advises the Academic Council (for Senate) on changes to the University's academic monitoring procedures and liaises with University Officers and Committees on matters relating to academic quality assurance.
- The Health & Safety Assurance Group provides an annual report to the Audit & Risk Committee on all matters concerning health and safety, including the University's legal obligations. The Group met three times in the year ending 31 July 2020, and received reports from the University's Head of Environmental, Health & Safety Services concerning the management of various areas of health and safety at work, with a particular focus on fire safety. The Group reviews all accidents and near misses reported to the University, as well as remedial actions taken. The Group periodically reviews the University's Health & Safety Policy and considers, as required, reports from Inspectors of enforcing authorities under health and safety legislation, reports from the University's insurance brokers, and issues raised by the Trade Union safety representatives and student sabbatical officers.
- The University Ethics & Research Integrity Assurance Group reports to the Audit & Risk Committee on the effectiveness of the University's policies, procedures, and decision-making on the ethical consequences of teaching and research,³ and the University's engagement with the Concordat to Support Research

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

Integrity. It receives reports from the University Teaching & Research Ethics Committee, the Animal Welfare Ethics Committee, and the Research Integrity Working Group.

The **Governance & Nominations Committee** advises Court on any matter pertaining to the execution of its governance functions. This includes the recruitment and appointment of non-executive members of Court and General Council Assessors, the oversight of elections to Court positions, and the processes for appointments of nominated Court positions. The Committee oversees the skills register for Court members and makes recommendations to Court on (a) the overall structure of University committees and (b) the remit and Court-nominated membership of such committees. It also recommends to Court how it should be represented, as necessary, on external or internal bodies. It is responsible for ensuring compliance with relevant codes of good governance, including the 2017 Scottish Code of Good HE Governance, and oversaw the ordinance changes and other arrangements necessary to comply with the HE Governance (Scotland) Act 2016. It holds an annual review of the effectiveness of Court's activities. The next externally facilitated review is due in 2022/23. The membership of the Governance & Nominations Committee includes assessors representing both academic and non-academic staff as well as the President of the Students' Association, the Principal, Senior Governor, and two other non-executive members, one of whom acts as convener. Whilst the 2017 Code of Governance recommends that Nominations Committees should have a lay majority, the Committee believes that the current membership strikes a more appropriate and representative balance. This is reported under "comply or explain" in the statement of compliance with the Scottish Code and is considered to be consistent with the Code's main principle 7 that the Committee must have a suitably inclusive membership. The Committee held three scheduled meetings in the year ending 31 July 2020. All meetings were quorate, and the attendance rate was 81%.

The **Planning & Resources Committee** (PARC) considers, recommends approval of, and monitors the University's major commitments and management of resources. Each meeting receives a report from the Principal, a paper on KPI performance, an in-year summary Financial Report comparing actual income and expenditure with budgeted levels, and a report on Property and Infrastructure issues. The Committee approves the Outcome Agreement for recommendation to Court and reviews the impact of the SFC Main Grant letter, including its likely impact on the University Financial Plan. PARC reviews on an annual basis financial and institutional performance, and the University's financial and strategic plans, as well as a broad range of annual reports relating to its strategic,

financial and planning responsibilities. These include development activities, environmental performance, commercialisation, infrastructure, Special Collections, and Museum Collections. PARC monitors the level and cost of the University's borrowings and the extent of other liabilities and makes recommendations on individual financial decisions which, due to their size or nature, are reserved for Court. It is also empowered to take individual financial decisions in accordance with limits prescribed in the Financial Regulations (www.st-andrews.ac.uk/policy/financial-matters/financial-regulations.pdf). Court receives recommendations and advice from PARC in respect of its strategic planning and development responsibilities. PARC is chaired by the Senior Governor. The Committee held four scheduled meetings in the year ending 31 July 2020. All meetings were quorate and the attendance rate was 100%.

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 is also responsible for ensuring cash management is carried out in accordance with the University's Treasury Management Policy. 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 and treasury advisers, (ii) the investment portfolio(s) or holdings under their management, and (iii) University investments and financial holdings 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 that are under management, reporting as appropriate to Court and PARC.

The **Remuneration Committee** reviews and approves remuneration arrangements for staff in the University above defined thresholds and, on the recommendation of the Principal, increases in remuneration which do not represent standard progression with regard to a recognised salary scale or which relate to members of the Principal's Office. The Committee respects the requirements of the Scottish Code of HE Governance on Remuneration Committees, and also draws on the CUC Higher Education Senior Staff Remuneration Code as a source of good practice. It consists of independent members of Court. From 2018, the Principal ceased to be a member of the Committee although may be in attendance to advise the Committee on specific issues.

The Principal may not be in attendance for discussion of any item relating to her pay, contract, or terms and conditions of employment. The Committee monitors the implementation of the University's policy on severance payments, receiving reports on all severance arrangements and approving specific recommendations which involve University expenditure in excess of £100,000 (there were none in the year ending 31 July 2020). The Committee determines the remuneration of the Principal (in the absence of the Principal) and provides an annual report to the University Court detailing salary changes for senior staff.

More widely, the Committee has a general overview of matters related to salaries, including pension policy, in order to ensure the exercise of appropriate financial control and of reasonable employer behaviour in relation to remuneration and severance arrangements. The Committee held two scheduled meetings, both quorate, in the year ending 31 July 2020. The attendance rate was 100%.

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 2017 Scottish Code of Good HE Governance, is updated at least annually and made publicly available on the University website.

Sustainability

The long-term sustainability of the institution is assured through the University Strategy (www.st-andrews.ac.uk/about/governance/university-strategy). The 2018-23 Strategy is now in implementation phase and progress will be reported through an annual report and reviewed performance indicators. The Strategy is underpinned by five key supporting strategies focusing on accommodation, digital, people, estate, and finance. Strategic planning meetings take place with each school and professional service unit, establishing operational priorities, success factors and assessing performance, risks and mitigation. Investment and prioritisation decisions at operational level across the institution take place through three structures: Workforce Planning Group, Business Transformation Board, and Space and Asset Management Group. A Business Transformation Plan sets out the University's priority business change initiatives over the period 2018-21, regularly reviewed to align with the University's strategic plan and overseen by a board chaired by the Chief Operating Officer. Regular reports are provided to Court through the Planning and Resources Committee (PARC). Forward financial

and infrastructure plans are also approved by Court and progress monitored by PARC. The University has a comprehensive set of Key Performance Indicators (KPIs) covering all main areas of business and linking closely to the Strategic Objectives. These also form a standing item on PARC and Court agendas and were reviewed and updated in 2019/20 to align with the University Strategy. The University's approach to risk management is overseen by the Audit & Risk Committee and managed internally by the Risk Management Group, chaired by the Vice-Principal (Governance). Risks are attributed to both KPIs and Strategic Objectives and the effectiveness of controls and mitigating actions are systematically monitored.

Statement on equality and diversity

The University is committed to ensuring that all staff and students, whether existing or potential, receive fair and equal treatment when applying to become, or working as part of the University Community. The University's Equality Diversity and Inclusion Policy applies to all staff, students, contractors and visitors, taking into account the provisions of the Equality Act (2010) and the Scottish Specific Duties (2012). The Policy objectives are that all individuals will be treated with respect, that they will not be subject to unfair discrimination in any aspect of university life, and to achieve an environment in which everyone has the opportunity to develop to their full potential. The Policy includes specific provision for existing and potential employees with protected characteristics. The University's commitment to the Policy and regulatory framework principles are demonstrated externally through active participation in a number of accreditation schemes. The University successfully renewed its Athena SWAN Institutional Bronze Award in November 2017 and holds the Carer Positive Employer award, the LGBT Charter, and is a Stonewall Diversity Champion. Equalities issues are regularly discussed at the Joint Negotiating Committee with recognised Trade Unions. More information can be found in the University's Equality and Diversity Inclusion Policy (www.st-andrews.ac.uk/staff/policy/hr/equalitydiversityinclusion). The University provides guidance for disabled staff on its website (www.st-andrews.ac.uk/policy/academic-policies-assessment-examination-and-award-assessing-students-with-disabilities/academic-adjustments-for-disabled-students-guidance-for-staff.pdf). A Staff Disability Policy is currently being developed, with consultation undertaken with the trade unions and staff feedback being gathered on the draft, which could also improve disclosure rates. In the year ending 31 July 2020, 58 (2.1%) individuals employed by the University declared a disability.

In compliance with equalities legislation, the University published its Equality Mainstreaming Report

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

Training of Court Members

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

Date	Training	Member
10 & 11 October 2019	Chair Registration for CUC Autumn Plenary	Adrian Greer
5 November 2019	Lecture on China: Trade Wars, Currency Wars and Geopolitical Risk, John Plender, EU Business School	Prof Sir David Wallace
12 December 2019	Court induction completed	Jonathan Hewitt
15 January 2020	RSE and British Council discussion meeting on the Distinctive Assets of Scottish HE, Royal Society of Edinburgh	Prof Sir David Wallace
28 February 2020	E&Y Economics for Business Breakfast Briefing with Mark Gregory	Prof Stuart Monro
28 February 2020	E&Y Economics for Business Breakfast Briefing with Mark Gregory	Prof Sir David Wallace
29 February 2020	Briefing on Economics for Business, EY Scottish ITEM Club, Edinburgh	Prof Sir David Wallace
18 March 2020	Building resilience through disruption, KPMG webinar	Prof Sir David Wallace
30 April 2020	Culture – the key to Good Governance	Dr Morven Shearer
22 May 2020	Scottish Governance symposium	Dr Morven Shearer
22 May 2020	Scottish Governance symposium	Jonathan Hewitt
22 May 2020	Scottish Governance symposium	Catherine Stihler
27 May 2020	Preparing for the new reality, KPMG webinar	Prof Sir David Wallace
28 May 2020	Presentation on Scotland Attractiveness Survey, Ernst & Young webinar	Prof Sir David Wallace
29 May 2020	Global Perspectives: Governing universities: Solutions for a dynamic world	Dr Morven Shearer
4 June 2020	Audit Committee Institute Higher Education webinar	Prof Sir David Wallace
4 June 2020	Audit Committee Institute Higher Education webinar	Nigel Christie
10 June 2020	Leading with Humanity: Now and Next? Leadership Summit 2020	Dr Morven Shearer
23 June 2020	Work Pride: ERGs – LGBT Great: The Power of Role Models & Allies Webinar	Prof Stuart Monro
25 June 2020	Critical Conversation on Racism webinar	Nigel Christie
25 June 2020	Critical Conversation on Racism webinar	Prof Sir David Wallace
12 August 2020	KPMG's HE Technical Update (re Covid-19), webinar	Professor Stuart Monro
2 September 2020	The Climate Commission – Discussion with the Further and Higher Education Sector Governors and Chairs	Prof Stuart Monro
9 September 2020	Governor Development Programme – Student Governor (part 1, online)	Dan Marshall
9 September 2020	Governor Development Programme – Student Governor (part 1, online)	Amy Gallacher
24 September 2020	Court inductions completed	Alex Duncan
8 October 2020	Court inductions completed	Dr Malcolm Petrie
8 October 2020	Court inductions completed	Papa Obeng Sabah
21 October 2020	Court inductions completed	Dan Marshall
8 October 2020	Court inductions completed	Amy Gallacher

Payment of creditors

It is the University's policy to obtain the best terms for all business and thus there is no single policy as to the terms used. In agreements negotiated with suppliers, the University endeavours to adhere to specific payment terms. The University has no matters to disclose under the Late Payment of Commercial Debts (Interest) Act 1998. The average creditor payment period, calculated as a proportion of the year-end creditors to aggregate amounts invoiced during the year, was 25 days (2018/19: 24 days, 2017/18: 26 days).

Covid-19

The Covid-19 pandemic and associated widespread move to remote working required a review of essential controls to maintain effective governance. Extensive advice and guidance was provided for staff and students on the University's dedicated coronavirus webpages, including on specific aspects of home working, wellbeing, equipment, and risks, including the increased vulnerability to cyber-attack.

The University moved quickly at the beginning of the year to secure additional bandwidth capacity and sufficient Teams licences to allow for a rapid move to on-line delivery. This included moving all governance activity on-line, with Court and its Committees provided with access to and training for the secure use of Teams.

The University based its response to the pandemic on existing crisis management plans, activating an Incidence Response Group in January in line with the pre-existing Serious Communicable Disease Protocol. As the pandemic unfolded, a crisis management command structure saw the Principal's Office provided with strategic oversight, with an Operations Group co-ordinating the tactical implementation of twenty-four separate workstreams. This provided operational planning and co-ordination of support to ensure the safety and wellbeing of staff and students (in particular those students who were unable to leave the University), manage the lockdown of the University estate, and deliver teaching and credits through to the end of the academic year. This structure allowed for regular checks on underpinning logistical issues such as availability of IT support and any issues over supplies of essential groups. A panel of clinical experts fed in expert medical advice.

From April 2020, a Reinforced Extraordinary Committee of Court (RECC) met every two weeks via Teams to oversee the Executive's management of the situation, in particular to monitor the financial impact on the University going forward and scenario planning to cover a range of contingencies. The Committee was given the same decision-making authority as the Extraordinary Committee of Court. Any decisions taken by the RECC were communicated to the wider Court after each meeting.

As the crisis moved from the "react" into the "resilience" phase, preparing for the emergence from lockdown and the resumption of teaching in the new academic year, this structure was adapted to progress planning through eight workstreams, each led by one or more members of the Principal's Office, covering: Teaching and the Student Experience, Restarting Research, Safe Working Environment, Wellbeing, Epidemiology, Community Support, External Relations, and Communications. A Programme and Project Management approach was adopted to ensure co-ordination within and between workstreams, and to assess and manage any emerging risk or resilience issues.

Desktop exercises were held both internally and with key delivery partners in local government and health to test plans for reacting to potential future outbreaks of Covid-19 within the University community.

All risks on the University risk register were reviewed to assess the impact of Covid-19, with ongoing briefings to Audit & Risk and Court meetings.

A Covid-19 Rapid Response Team has been established to provide a permanent source of advice and guidance to staff and students, including a dedicated helpdesk, and to monitor and respond to any incidence of Covid-19 in the University community. Working closely with NHS, HPS, and the Local Authority, this will provide the ability to escalate rapidly our crisis management structures should the need arise.

Conclusion

The University has considered the impact of Covid-19 on the adoption of the going concern basis along with a severe but plausible downside scenario (see pages 38-39). Based on this analysis, the University concluded it is a going concern, and has robust systems of corporate governance in place. These meet the principles of good governance set out in the 2017 Code, maintain a sound system of internal controls, and apply the key principles of effective risk management.

Alastair Merrill
Vice-Principal (Governance)
22 January 2021

Responsibilities of Court



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

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

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

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

Court has responsibility to:

- Ensure full compliance with charities legislation and the retention of the University's charitable status.
- Ensure that funds from SFC are used only for the purposes for which they have been given and in accordance with the Financial Memorandum with SFC and any other conditions which SFC may from time to time prescribe.

- Ensure that there are appropriate financial and management controls in place to safeguard public funds and funds from other sources.
- Ensure that there exists an effective platform for the control and monitoring of risk and that risk implications are considered at all areas within University management.
- Safeguard the assets of the University and prevent and detect fraud.
- Secure the economical, efficient and effective management of the University's resources and expenditure.

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

- Clear definitions of the responsibilities of, and the authority delegated to, staff.
- A comprehensive planning process, supplemented by detailed annual income, expenditure, capital and cash flow budgets.
- Regular reviews of financial performance, including updates of forecast out turns and cashflows.
- Clearly defined and formalised requirements for approval and control of expenditure, with investment decisions involving capital or revenue expenditure being subject to formal detailed appraisal and review according to approval levels set by Court and promulgated in the Standing Financial Instructions.
- An Audit & Risk Committee whose terms of reference are summarised on pages 19-20.
- Comprehensive Financial Regulations, detailing financial controls approved by Court on the recommendation of the Audit & Risk Committee.
- An Internal Audit team whose annual programme is approved by the Audit & Risk Committee and endorsed by Court providing Court with a report on internal audit activity within the University and an opinion on the adequacy and effectiveness of the University's system of internal control, including internal financial control.

Membership of Court and Committees



Membership of the University Court

Members of Court who served during the year to 31 July 2020 and who served up to the date of approval of the reports and financial statements are detailed below. Also shown is the Committees on which the members served, and the court meetings attended during the year. Court meets four times per year.

Status	Member	Membership of Standing Committees & Assurance Groups	Court meetings attended 2019/20
The Rector (President)	Mr Srdja Popovic (until 30 October 2020)	-	3/4
	Dr Leyla Hussein (from 2 November 2020)	-	n/a
Senior Governor (Vice-President) (until 31 July 2020)	Dame Anne Pringle (until 31 December 2020)	Governance & Nominations (until 31 July 2020) Planning & Resources Committee (until 31 December 2020) Remuneration Committee (until 31 July 2020) Reinforced Extraordinary Committee of Court (until 31 December 2020)	4/4
Senior Lay Member (new post – replaces Senior Governor)	Ms Catherine Stihler (from 1 August 2020)	Governance & Nominations Planning & Resources Committee Remuneration Committee Reinforced Extraordinary Committee of Court	n/a
The Principal & Vice-Chancellor	Professor Sally Mapstone	Governance & Nominations Planning & Resources Committee Reinforced Extraordinary Committee of Court	4/4
Deputy Chair of Court	Professor Stuart Monro	Audit & Risk Committee (until 5 September 2019) Ethics & Research Integrity Assurance Group (observer) Governance & Nominations Planning & Resources Committee (in attendance as observer from 18 September 2019, full member from 13 December 2019) Reinforced Extraordinary Committee of Court Academic Assurance Group (from 26 November 2020)	4/4
Master & Deputy Principal	Professor Lorna Milne	Planning & Resources Committee (in attendance) Reinforced Extraordinary Committee of Court (in attendance)	4/4
Chancellor's Assessor	Mr Adrian Greer	Health & Safety Assurance Group Planning & Resources Committee Remuneration Committee (from 29 November 2019) Reinforced Extraordinary Committee of Court	4/4

Membership of the University Court (cont'd)

Status	Member	Membership of Standing Committees & Assurance Groups	Court meetings attended 2019/20
The Rector's Assessor	Ms Camilla Duke (until 31 May 2020)	-	3/3
	Mr Papa Obeng Sabah (from 1 June 2020 to 30 October 2020)	-	1/1
	Ms Stella Maris (from 26 November 2020)	-	n/a
Fife Council Representative	Cllr Altany Craik	Academic Assurance Group	4/4
Assessors of the General Council (2)	Vacant (from 29 June 2019 to 24 October 2019)	-	-
	Mr Jonathan Hewitt (from 25 October 2019)	Superannuation & Life Assurance Group (from 3 April 2020) Investment & Treasury Assurance Group (from 3 September 2020) Reinforced Extraordinary Committee of Court Audit & Risk Committee (from 1 January 2021)	3/3
	Mr Nigel Christie (until 31 December 2020)	Audit & Risk Committee Investment & Treasury Assurance Group Remuneration Committee	3/4
	Mr Iain Anderson (from 1 January 2021)	People & Diversity Assurance Group	n/a
Assessors of the Senatus Academicus (4)	Professor Mark Harris	Planning & Resources Committee (in attendance from 1 August 2019) Reinforced Extraordinary Committee of Court	3/4
	Professor Sharon Ashbrook (from 1 August 2019)	Planning & Resources Committee	4/4
	Dr Derek Ball	Governance & Nominations	4/4
	Dr Morven Shearer	People & Diversity Assurance Group	4/4
Non-Academic Staff Member	Ms Donna Pierz-Fennell	Governance & Nominations Health & Safety Assurance Group Reinforced Extraordinary Committee of Court	4/4
Trade Union Representatives (2) (new post)	Mr Alex Duncan (from 1 August 2020)	Health & Safety Assurance Group People & Diversity Assurance Group	n/a
	Dr Malcolm Petrie (from 1 August 2020)	Academic Assurance Group	n/a

Membership of the University Court (cont'd)

Status	Member	Membership of Standing Committees & Assurance Groups	Court meetings attended 2019/20
Student Representatives (2)	Mr Jamie Rodney (President, until 30 June 2020)	Governance & Nominations Planning & Resources Committee Reinforced Extraordinary Committee of Court	4/4
	Mr Dan Marshall (President, from 1 July 2020)	Governance & Nominations Planning & Resources Committee Reinforced Extraordinary Committee of Court	n/a
	Ms Amy Bretherton (Director of Education, until 30 June 2020)	Planning & Resources Committee (in attendance)	4/4
	Ms Amy Gallacher (Director of Education, from 1 July 2020)	Planning & Resources Committee (in attendance)	n/a
Non-Executive Members (8)	Mr Tim Allan	Planning & Resources Committee	4/4
	Mr Ken Dalton	Governance & Nominations Remuneration Committee Superannuation & Life Assurance Group	3/4
	Mr Frank MacInnis (from 1 August 2019)	Audit & Risk Committee (from 27 September 2019)	4/4
	Ms Eve McCurrich	Planning & Resources Committee	4/4
	Professor Stuart Monro	<i>See above for Deputy Chair of Court</i>	<i>See above</i>
	Mr Nigel Morecroft (until 31 December 2020)	Investments & Treasury Assurance Group People & Diversity Assurance Group Remuneration Committee Reinforced Extraordinary Committee of Court	4/4
	Dame Anne Pringle (until 31 December 2020)	<i>See above for Senior Governor</i>	<i>See above</i>
	Professor Sir David Wallace	Audit & Risk Committee (from 1 August 2019) Remuneration Committee Reinforced Extraordinary Committee of Court	4/4
	Ms Jenny Stewart (from 1 January 2021)	-	n/a
	Lord Duncan of Springbank (from 1 January 2021)	Remuneration Committee (from 1 January 2021)	n/a

Membership of Standing Committees

The Committees reporting to the University Court are as follows: Audit & Risk Committee; Governance & Nominations Committee; Planning & Resources Committee and Remuneration Committee. The responsibilities of the following Committees are outlined in the Corporate Governance Statement on pages 16 to 23.

Audit & Risk Committee

Status	Member	Meetings attended 2019/20
Non-Executive Members of Court	Professor Sir David Wallace (convenor from 1 August 2019)	5/5
	Professor Stuart Monro (until 5 September 2019)	1/1
	Mr Frank MacInnis (from 27 September 2019)	2/4
Assessor of the General Council	Mr Nigel Christie	4/5
Co-opted External Members	Ms Lynn Brown	4/5
	Ms Nicola Catterall (from 1 November 2019)	3/3
	Ms Jane Pearce (from 1 November 2019)	3/3

Governance & Nominations Committee

Status	Member	Meetings attended 2019/20
External Convenor	Professor Stuart Monro	3/3
<i>ex officio members:</i>		
Senior Governor	Dame Anne Pringle (until 31 July 2020)	3/3
Senior Lay Member (replaces Senior Governor)	Ms Catherine Stihler (from 1 August 2020)	n/a
Principal	Professor Sally Mapstone	3/3
President of the Students' Association	Mr Jamie Rodney (until 30 June 2020)	3/3
	Mr Dan Marshall (from 1 July 2020)	n/a
Non-Exec Members of Court	Mr Ken Dalton	1/3
	Professor Stuart Monro	3/3
Non-Academic Staff Member	Ms Donna Pierz-Fennell	3/3
Assessor of the Senatus Academicus	Dr Derek Ball	1/3

Membership of Standing Committees (cont'd)

Planning & Resources Committee (PARC)

Status	Member	Meetings attended 2019/20
<i>ex officio</i> members:		
Senior Governor	Dame Anne Pringle (convenor until 31 July 2020)	4/4
Senior Lay Member (replaces Senior Governor)	Ms Catherine Stihler (convenor from 1 August 2020)	n/a
Principal	Professor Sally Mapstone	4/4
Quaestor & Factor	Mr Derek Watson	4/4
President of the Students' Association	Mr Jamie Rodney (until 30 June 2020)	4/4
	Mr Dan Marshall (from 1 July 2020)	n/a
Non-Executive Members of Court	Mr Tim Allan	4/4
	Ms Eve McCurrich	4/4
	Professor Stuart Monro (in attendance as observer from 18 September 2019, full member from 13 December 2019)	3/3
	Dame Anne Pringle (until 31 December 2020)	<i>See above</i>
Lay Member (The Chancellor's Assessor)	Mr Adrian Greer	4/4
Assessor of the Senatus Academicus	Professor Sharon Ashbrook (from 1 August 2019)	4/4

Remuneration Committee

Status	Member	Meetings attended 2019/20
<i>ex officio</i> members:		
Senior Governor	Dame Anne Pringle (until 31 July 2020)	2/2
Senior Lay Member (replaces Senior Governor)	Ms Catherine Stihler (from 1 August 2020)	n/a
Non-Executive Members of Court	Mr Nigel Morecroft (Convenor until 31 July 2020, member until 31 December 2020)	2/2
	Mr Ken Dalton	2/2
	Professor Sir David Wallace	2/2
Lay Member (The Chancellor's Assessor)	Mr Adrian Greer (Member from November 2019, Convenor from 1 August 2020)	2/2
Assessor of the General Council	Mr Nigel Christie	2/2
Co-opted External Member	Ms Lynne Dalgarno	2/2

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

Membership of Reinforced Extraordinary Committee

Reinforced Extraordinary Committee of Court (RECC)

The RECC is an emergency committee convened to deal with the emergency circumstances arising out of the Covid-19 Pandemic and was approved by Court 3 April 2020. Further details of this Committee are outlined in the Corporate Governance Statement on pages 16 to 23.

Status	Member	Meetings attended 2019/20
<i>ex officio</i> members:		
Senior Governor	Dame Anne Pringle (until 31 July 2020)	7/7
Senior Lay Member (replaces Senior Governor)	Ms Catherine Stihler (from 1 August 2020)	n/a
Principal	Professor Sally Mapstone	7/7
President of the Students' Association	Mr Jamie Rodney (until 30 June 2020)	5/5
	Mr Dan Marshall (from 1 July 2020)	2/2
Non-Executive Members of Court	Professor Stuart Monro	7/7
	Mr Nigel Morecroft (until 31 December 2020)	6/7
	Professor Sir David Wallace	7/7
	Dame Anne Pringle (until 31 December 2020)	<i>See above</i>
Non-Academic Staff Member	Ms Donna Pierz-Fennell	7/7
Lay Member (The Chancellor's Assessor)	Mr Adrian Greer	7/7
Assessor of the Senatus Academicus	Professor Mark Harris	7/7
Assessor of the General Council	Mr Jonathan Hewitt	7/7

Independent Auditor's Report to the Court of the University of St Andrews



Independent Auditor's Report to the Court of the University of St Andrews

Opinion

We have audited the financial statements of the University of St Andrews (the parent institution) and its subsidiaries (the 'group') for the year ended 31 July 2020 which comprise the Statement of Principal Accounting Policies, Consolidated Statement of Comprehensive Income and Expenditure, Consolidated and University Statement of Changes in Reserve, Consolidated and University Balance Sheet, Consolidated and University Cash Flow Statement and the related notes 1 to 32, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the group's and of the parent institution's affairs as at 31 July 2020, and of the Group's and parent institution's income and expenditure, gains and losses and changes in reserves and of the Group's cash flows for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice;
- have been properly prepared in accordance with the Statement of Recommended Practice: Accounting for Further and Higher Education, and relevant legislation; and
- have been prepared in accordance with the requirements of the Charities and Trustee Investment (Scotland) Act 2005 and regulation 14 of the Charities Accounts (Scotland) Regulations 2006.

Basis for opinion

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

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

Conclusions relating to going concern

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

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

Other information

The other information comprises the information included in the annual report set out on pages 3-32, other than the financial statements and our auditor's report thereon. The University Court is responsible for the other information.

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

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

We have nothing to report in this regard.

Independent Auditor's Report to the Court of the University of St Andrews (cont'd)

Opinion on Other Matters Prescribed by the Scottish Funding Council's Financial Memorandum with Higher Education Institutions

In our opinion, in all material respects:

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

Matters on which we are required to Report by Exception

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

- the information given in the Operating and Financial Review is inconsistent in any material respect with the financial statements; or
- proper accounting records have not been kept; or
- the parent institution financial statements are not in agreement with the accounting records and returns; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of the University Court

As explained more fully in the Statement of the University Court's Responsibilities set out on pages 24-25, the University Court is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the University Court determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

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

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

Use of our report

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

Statutory Auditor
Edinburgh

Date:

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

FINANCIAL STATEMENTS

Statement of Principal Accounting Policies

(for the year ended 31 July 2020)



Basis of preparation

These financial statements have been prepared in accordance with the Statement of Recommended Practice: Accounting for Further and Higher Education 2019 (HE SORP 2019) 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.

The University has prepared its financial statements to 31 July 2020 in accordance with the HE SORP 2019 for the first time. Management have reviewed the changes reflected in HE SORP 2019 and are confident that these do not have any significant impact on the financial statements and there are no restatements or changes to accounting policies required as a result of adopting HE SORP 2019.

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

Going concern assessment

The uncertainty as to the future impact on the financial performance and cashflows of the University, as a result of the Covid-19 pandemic, has been considered as part of the University's adoption of the going concern basis in these financial statements and in developing a financially sustainable financial plan. While Covid-19 implications have consequences across the University's range of activities, the most significant impacts are those arising from teaching and the ability and willingness of students to travel to St Andrews for the purposes of Higher Education. The potential impact of volatility on student numbers was a significant factor in producing the University financial plan. These financial statements have been prepared on a going concern basis which senior management believe to be appropriate for the following reasons.

The University is well-established and renowned for its excellence in teaching and research. As such the demand for learning at the University remains strong, as evidenced in the student cohort for 2020/21, even in the midst of the pandemic. The University's dual-mode delivery teaching model, with all lectures (more than 35 students), delivered online, supplemented initially by face to face remote small group tutorials and seminars (with a phased return to these being in person over the 1st semester), enables students the ability to learn on campus or remotely, mitigating the risk of Covid-19 on its teaching activity.

At 31 July 2020 the University generated total comprehensive income for the year of £8.1m and held net assets of £309.2m. Borrowings amounted to £122.2m of unsecured loans (note 21 – long term liabilities of £111.2m, and short term of £11.0m), equivalent to 46.7% of a suppressed turnover in the year. In addition,

the University held cash and cash equivalents and investments of £36.4m and a Revolving Credit Facility capability of £25.0m expiring in 2024. At the year end £10m of this was drawn down to ensure cash coverage was in place to protect against student recruitment being significantly lower than anticipated. The £10m draw down was repaid at the end of September 2020 without being utilised. As the University moved into 2020/21, demand levels from students had proven to be extremely strong. Liquidity headroom for the group as at 31 July 2020 was £51.4m and the current position as at 31 December 2020 is £82.4m. The unsecured debt is subject to financial covenants as set out in note 21. As at 31 July 2020 all financial covenants were met.

A financial plan for 2020/21 through to 2022/23 together with a revised forecast outturn for 2020/21 is in place. This reflects the anticipated impact of Covid-19 together with both delivered and forecast required savings plus the increase in USS contribution rates to 34.7% in October 2021. Following the UK Government starting a mass vaccination programme and the introduction of an asymptomatic rapid testing centre for Covid-19 at the University, management are positive about the outlook. In support of this plan, cashflow projections have been prepared for twelve months from the date of approval of these consolidated financial statements. On this basis, the University is forecast to operate within its available committed facilities, meeting all financial covenants, with forecast cashflow headroom no lower than £54.0m throughout the going concern period to 31 January 2022. The University continues to carefully monitor the impact of Covid-19 on its financial position. Senior management have considered various scenarios in assessing the impact of Covid-19 on future financial performance and cashflows. The ability to deliver dual-mode teaching mitigates risk in this respect against any further government enforced restrictions, with the expectation, backed by the latest Government indicators, that students would remain at the University and in residential accommodation. The University has working policies established from the initial outbreak of Covid-19 ensuring the safe wellbeing of students whilst in residential accommodation.

In testing the robustness of the University's financial position, we have modelled a severe downside scenario. Most of the students for the 2020/21 academic year are currently here and we have assumed that with the roll out of a mass vaccination programme for Covid-19 and the introduction of an asymptomatic rapid testing centre at the University, that the outlook remains positive and students will remain in their accommodation for 2020/21. In 2021/22 we assume widespread prolonged government restrictions are introduced, which results in only 20% of students choosing to live in St Andrews with the majority learning online. Our basis for maintaining 20% of residential income reflects student behaviour during the first lockdown period in March 2020. During this period

the University continued to look after approximately 700 students in residential accommodation who either could not travel due to restrictions or chose to stay in St Andrews in the care of the University. This could result in a potential loss of income of £24.4m and a net reduction of £18.7m from the expected managed operating position in 2021/22. In this most severe scenario, the University is forecast to continue to operate within its available committed facilities, meeting all financial covenants, with forecast cashflow headroom no lower than £46.7m throughout the going concern period to 31 January 2022. Given the recent introduction of both the first Covid-19 vaccine and asymptomatic rapid testing for students, management do not anticipate such a severe downside scenario occurring. The University has demonstrated its ability to secure a strong cohort of students for the 2020/21 academic year whilst operating in a Covid-19 environment. The same level of action would be undertaken to secure a similar cohort for 2021/22.

As at 30 November 2020 the University undertook a reforecast, resulting in an improvement on the Financial Plan position of £3.2m for 2020/21 with an additional increase in cashflow headroom of £1.5m.

Should a severe downside scenario occur, a range of mitigating actions could be initiated by management depending on the scale of the situation, primarily through managing discretionary spend that does not have an impact on our ability to maintain our high standards of teaching and research. In addition, there could be a restriction on non-essential and non-committed capital expenditure in the next 12-18 months of around £28.1m. The use of similar mitigating actions has already been evidenced through decisive management action during the second half of 2019/20.

The University has strong investment grade credit ratings, as demonstrated by our 'eligible in principle' status of our paused application to the UK Government's Corporate Covid Financing Facility. In addition, an extremely competitively priced RCF, and our long standing high quality reputation as an institute with students, funders and philanthropists, management are confident that, if necessary, the University could raise additional debt finance if required. We will continue to strengthen our liquidity and balance sheet to place us in a strong position as we emerge from this pandemic and safeguard the long-term financial sustainability of the University.

Based on the above analysis it remains wholly appropriate to prepare the consolidated financial statements on a going concern basis.

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 2020. 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 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 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 on a receivable basis.

Funds the University receives and disburses as paying agent on behalf of a funding body are excluded from the Consolidated Statement of Comprehensive Income 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 in the Statement of Financial Position and released to income when such conditions are met.

Grant funding provided through the Coronavirus Job Retention Scheme (CJRS) is a government grant whereby the UK Government provides support for the cost of furloughed workers. Under the CJRS, grant income may be claimed in respect of certain costs to the University of furloughed employees. CJRS income is recognised when the University is entitled to the income and performance related conditions have been met, in line with other government grant funding.

Other funding

Other grants and donations from non-government sources, including research grants from non-government sources, are recognised within the Consolidated Statement of Comprehensive Income 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 in the Statement of Financial Position and released to income when such conditions are met.

Donations and endowments

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

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

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

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

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

Unrestricted permanent endowments – where the donor has specified that the fund is to be permanently invested to generate an income stream for the general benefit of the University.

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

Restricted permanent endowments – where the donor has specified that the fund is to be permanently invested to generate an income stream to be applied to a particular objective.

Capital grants

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

Retirement benefits

The two principal pension schemes for the University's staff are the Universities Superannuation Scheme (USS) and the University of St Andrews Superannuation and Life Assurance Scheme (S&LAS). The USS is a multi-employer hybrid pension scheme and the S&LAS is a defined benefit scheme, both of which are externally funded. Each fund is valued every three years by professionally qualified independent actuaries.

A defined benefit scheme requires the University to provide the agreed benefits to current and former employees, and the actuarial risk (the risk that benefits

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

The USS Scheme

The scheme is a hybrid pension scheme, providing defined benefits (for all members), as well as defined contribution benefits. The assets of the scheme are held in a separate trustee-administered fund. Because of the mutual nature of the scheme, the assets are not attributed to individual institutions and a scheme-wide contribution rate is set. The institution is therefore exposed to actuarial risks associated with other institutions' employees and is unable to identify its share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis. As required by Section 28 of FRS102 "Employee benefits", the institution therefore accounts for the scheme as if it were a wholly defined contribution scheme. As a result, the amount charged to the Consolidated Statement of Comprehensive Income represents the contributions payable to the scheme. Since the institution has entered into an agreement (the Recovery Plan) that determines how each employer within the scheme will fund the overall deficit, the institution recognises a liability for the contributions payable that arise from the agreement (to the extent that they relate to the deficit) and therefore an expense is recognised.

The S&LAS Scheme

Assets are held in a separate trustee-administered fund and are measured using market value. The liabilities of the scheme are measured using the projected unit method and discounted at the current rate of return on a high-quality corporate bond of equivalent terms and currency to the liability.

Employment benefits

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

Service concession arrangements

Fixed assets held under service concession arrangements are recognised in the Statement of Financial Position 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 reporting 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.

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

Property, plant & equipment

Costs incurred in relation to a tangible fixed asset, after its initial purchase or production, are capitalised to the extent that they increase the expected future benefits to the University from the existing tangible fixed asset beyond its previously assessed standard of performance; the cost of any such enhancements are added to the gross carrying amount of the tangible fixed asset concerned. The cost of buildings includes related interest.

Land

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

Buildings

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

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

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

Assets under construction are carried at cost, less any impairment loss. Assets under construction are not

depreciated until the month following the month in which they become available for operational use.

At each reporting date, the University checks whether there is any indication that any of its land and building assets have suffered an impairment loss. If there is indication of an impairment, the recoverable amount of the asset is estimated and compared to the carrying value to determine whether there has been a loss and, if so, its amount.

Equipment and furniture

Equipment costing less than £25,000 is written off in full in the year of acquisition. Capitalised equipment and furnishings are stated at cost and depreciated on a straight line basis over their expected useful lives as follows:

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

Heritage assets

The University holds and conserves a number of collections, exhibits, artefacts and other assets of historical, artistic or scientific importance. Works of art and other artefacts valued at over £25,000 have been capitalised and recognised at the cost or value of the acquisition, where such cost or valuation is reasonably attainable. Higher value collections are stated at deemed cost, being the revalued amount at the date of transition to the 2015 SORP. Heritage assets are not depreciated as their long economic life and high residual value means that any depreciation would not be material.

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

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. Properties are not depreciated but are valued annually by independent valuers according to market conditions as at 31 July each year.

Repairs and maintenance

Maintenance expenditure is recognised in the Statement of Comprehensive Income 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 with movements recognised in the Statement of Comprehensive Income. 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.

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 Comprehensive Income.

Provisions, contingent liabilities and contingent assets

Provisions are recognised in the financial statements when:

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

The amount recognised as a provision is discounted to present value where the time value of money is material. The discount rate used reflects current market assessments of the time value of money and reflects any risks specific to the liability.

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.

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 (VAT). Irrecoverable VAT on inputs is included in the costs of such inputs. Any irrecoverable VAT allocated to fixed assets is included in their cost.

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

Financial instruments

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

Reserves

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

Critical accounting judgements and key sources of estimation uncertainty

In the preparation of the financial statements and 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 periods.

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:

a. Pension liabilities

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

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 Universities Superannuation Scheme. The accounting for a multi-employer scheme where the employer has entered into an agreement with the scheme that determines how the employer will fund a deficit results in the recognition

of a liability for the contributions payable that arise from the agreement (to the extent that they relate to the deficit) and the resulting expense in profit and loss in accordance with section 28 of FRS 102. The University is satisfied that the scheme provided by USS meets the definition of a multi-employer scheme and has therefore recognised the discounted fair value of the contractual contributions under the recovery plan in existence at the date of approving the financial statements.

b. Fixed asset useful lives and impairment

Management makes judgement over the most appropriate useful life of assets, over which period the value is depreciated. Useful lives are based on historical experience of similar assets and anticipation of future events. Useful lives are determined at the time the asset is acquired and reviewed regularly for appropriateness.

At each reporting date, management make judgements as to whether any indicators of impairment are present for any of the University's assets and where there are – such as has been the case in relation to the fire-damage to the BMS building – the recoverable amount of any affected asset is estimated and compared to its carrying amount. If the estimated recoverable amount is lower, the carrying amount is reduced to its estimated recoverable amount and an impairment loss recognised immediately in the period it arises.

Consolidated and University Statement of Comprehensive Income (for the year ended 31 July 2020)



Consolidated and University Statement of Comprehensive Income

	Notes	Year ended 31 July 2020		Year ended 31 July 2019	
		Consolidated £000	University £000	Consolidated £000	University £000
Income					
Tuition fees & education contracts	1	109,219	109,219	104,644	104,644
Funding body grants	2	41,687	41,593	39,005	39,005
Research grants & contracts	3	40,030	40,085	39,420	39,521
Other income	4	61,797	56,376	61,379	54,515
Investment income	5	3,748	3,890	3,702	3,864
Donations and endowments	6	5,192	5,476	9,298	9,638
Total income		261,673	256,639	257,448	251,187
Expenditure					
Staff costs	7	145,109	142,378	138,911	135,340
USS deficit (release)/provision	7	(28,804)	(28,804)	39,293	39,293
Other operating expenses		93,473	92,991	87,324	85,369
Depreciation	11	14,715	13,657	13,744	12,709
Interest and other finance costs	8	6,145	6,144	5,444	5,444
Total expenditure	9	230,638	226,366	284,716	278,155
Surplus/(deficit) before other gains/(losses)		31,035	30,273	(27,268)	(26,968)
Loss on disposal of assets		(346)	(346)	(446)	(446)
(Loss)/gain on investment property		(212)	(212)	359	359
Gain on investments		3,147	3,147	5,131	5,131
Surplus/(deficit) before tax		33,624	32,862	(22,224)	(21,924)
Taxation	10	(48)	-	-	-
Surplus/(deficit) for the year		33,576	32,862	(22,224)	(21,924)
Actuarial loss in respect of pension schemes	32	(25,487)	(25,487)	(13,035)	(13,035)
Total comprehensive income for the year		8,089	7,375	(35,259)	(34,959)
Represented by:					
Endowment comprehensive income for the year	23	5,676	5,676	12,138	12,138
Restricted comprehensive income for the year	24	195	195	6,080	6,080
Unrestricted comprehensive income for the year		2,218	1,504	(53,477)	(53,177)
		8,089	7,375	(35,259)	(34,959)

All items of income and expenditure relate to continuing activities.

Consolidated and University Statement of Changes in Reserves

(for the year ended 31 July 2020)



Consolidated and University Statement of Changes in Reserves

Income and expenditure account				
Consolidated	Endowment £000	Restricted £000	Unrestricted £000	Total £000
Balance at 1 August 2018	77,759	11,385	247,185	336,329
Surplus/(deficit) for the year	12,138	6,260	(40,622)	(22,224)
Other comprehensive income	-	-	(13,035)	(13,035)
Release of restricted funds spent in the year	-	(180)	180	-
Total comprehensive income for the year	12,138	6,080	(53,477)	(35,259)
Balance at 1 August 2019	89,897	17,465	193,708	301,070
Surplus for the year	5,676	4,659	23,241	33,576
Other comprehensive income	-	-	(25,487)	(25,487)
Release of restricted funds spent in the year	-	(4,464)	4,464	-
Total comprehensive income for the year	5,676	195	2,218	8,089
Balance at 31 July 2020	95,573	17,660	195,926	309,159

University	Endowment £000	Restricted £000	Unrestricted £000	Total £000
Balance at 1 August 2018	77,759	11,385	247,356	336,500
Surplus/(deficit) for the year	12,138	6,260	(40,322)	(21,924)
Other comprehensive income	-	-	(13,035)	(13,035)
Release of restricted funds spent in the year	-	(180)	180	-
Total comprehensive income for the year	12,138	6,080	(53,177)	(34,959)
Balance at 1 August 2019	89,897	17,465	194,179	301,541
Surplus for the year	5,676	4,659	22,527	32,862
Other comprehensive income	-	-	(25,487)	(25,487)
Release of restricted funds spent in the year	-	(4,464)	4,464	-
Total comprehensive income for the year	5,676	195	1,504	7,375
Balance at 31 July 2020	95,573	17,660	195,683	308,916

Consolidated and University Statement of Financial Position

(as at 31 July 2020)



Consolidated and University Statement of Financial Position

	Notes	As at 31 July 2020		As at 31 July 2019	
		Consolidated £000	University £000	Consolidated £000	University £000
Non-current assets					
Tangible Fixed assets	11	434,163	414,935	399,190	379,236
Heritage assets	11	38,808	38,808	38,808	38,808
Investments	14	90,268	108,092	79,328	94,352
		563,239	561,835	517,326	512,396
Current assets					
Stock	16	1,027	793	1,036	831
Trade and other receivables	17	29,398	36,640	29,101	38,644
Current Investments	18	8,275	8,275	33,681	33,681
Cash and cash equivalents	25	28,103	23,656	24,533	21,651
		66,803	69,364	88,351	94,807
Less: Creditors : amounts falling due within one year	19	(93,236)	(94,731)	(84,541)	(85,691)
Net current (liabilities)/assets		(26,433)	(25,367)	3,810	9,116
Total assets less current liabilities		536,806	536,468	521,136	521,512
Creditors: amounts falling due after more than one year	20	(111,258)	(111,163)	(111,268)	(111,173)
Provisions					
Pension provisions	22	(108,756)	(108,756)	(107,747)	(107,747)
Other provisions	22	(7,633)	(7,633)	(1,051)	(1,051)
Total net assets		309,159	308,916	301,070	301,541
Restricted reserves					
Income and expenditure reserve – endowment reserve	23	95,573	95,573	89,897	89,897
Income and expenditure reserve – restricted reserve	24	17,660	17,660	17,465	17,465
Unrestricted reserves					
Income and expenditure reserve – unrestricted		195,926	195,683	193,708	194,179
Total reserves		309,159	308,916	301,070	301,541

Approved by the University Court of the University of St Andrews on 22 January 2021 and signed on its behalf by:

Professor Sally Mapstone,
Principal and Vice-Chancellor

Catherine Stihler,
Senior Lay Member

Mr Andy Goor,
Chief Financial Officer

Consolidated and University Statement of Cash Flows

(Year ended 31 July 2020)



Consolidated and University Statement of Cash Flows

	Notes	Year ended 31 July 2020 £000	Year ended 31 July 2019 £000
Cash flow from operating activities			
Surplus/(deficit) for the year before tax		33,624	(22,224)
Adjustment for non-cash items			
Depreciation	11	14,715	13,744
Loss/(gain) on investments property	11	212	(359)
Gain on investments	23	(5,137)	(6,836)
Decrease/(increase) in stock	16	9	(33)
Increase in debtors	17	(297)	(5,555)
Increase in creditors	19	686	18,306
(Decrease)/increase in pension provisions	22	(24,478)	43,382
Increase in other provisions	22	6,582	81
Impairment of tangible fixed assets	11	-	197
Adjustment for investing or financing activities			
Investment income	5	(3,748)	(3,702)
Endowment income	6	(1,418)	(6,217)
Interest payable	8	4,098	4,101
Loss on the sale of fixed assets		346	446
Capital grant income	2/4	(5,747)	(8,127)
Cashflows from operating activities		19,447	27,204
Taxation		(48)	-
Net cash inflow from operating activities		19,399	27,204
Cash flows from investing activities			
Proceeds from sales of fixed assets		265	879
Capital grant receipts	2/4	5,747	8,127
Additions to non-current asset investments		(5,718)	(585)
Additions to deposits		26,824	(1,785)
Investment income	5	3,748	3,702
Payments made to acquire fixed assets		(52,592)	(38,874)
New deposits	6	(1,418)	(6,217)
Net cash outflow from investing activities		(23,144)	(34,753)
Cash flows from financing activities			
Interest paid	8	(4,098)	(4,101)
Endowment cash received	6	1,418	6,217
New unsecured loans	20	10,000	2,395
Repayments of amounts borrowed	20	(5)	(1,500)
Net cash inflow from financing activities		7,315	3,011
Increase/(decrease) in cash and cash equivalents in the year		3,570	(4,538)
Cash and cash equivalents at beginning of the year	25	24,533	29,071
Cash and cash equivalents at end of the year	25	28,103	24,533
		3,570	(4,538)

Notes to the Accounts

(as at 31 July 2020)



1. Tuition fees and education contracts

	Year ended 31 July 2020		Year ended 31 July 2019	
	Consolidated £000	University £000	Consolidated £000	University £000
Full-time home and EU students	11,441	11,441	11,120	11,120
RUK students (new fee rates)	19,406	19,406	19,904	19,904
Full-time international students	72,204	72,204	66,411	66,411
Part-time home and EU students	340	340	308	308
Part-time international students	85	85	58	58
Research training support grant	2,992	2,992	3,722	3,722
Short course fees	2,472	2,472	2,803	2,803
Other tuition fees	279	279	318	318
	109,219	109,219	104,644	104,644

2. Funding body grants

	Year ended 31 July 2020		Year ended 31 July 2019	
	Consolidated £000	University £000	Consolidated £000	University £000
Recurrent grant				
Teaching	15,512	15,512	14,708	14,708
Research	19,104	19,104	19,880	19,880
Specific grants				
Other grants	1,553	1,553	1,700	1,700
Capital grants	2,608	2,608	2,717	2,717
Covid-19 related grants	2,910	2,816	-	-
	41,687	41,593	39,005	39,005

Covid-19 related grants reflect the amounts receivable under the Coronavirus Job Retention Scheme (CJRS). Under the CJRS, grant income may be claimed in respect of certain costs to the Group of furloughed employees. The CJRS income included above reflects the costs incurred in the year ended 31 July 2020 that are eligible to be included in CJRS grant claims to the extent the University considers there to be reasonable certainty that the grant will be received. The costs of furloughed staff are reported within staff costs (note 7).

3. Research grants and contracts

	Year ended 31 July 2020		Year ended 31 July 2019	
	Consolidated £000	University £000	Consolidated £000	University £000
Research councils	15,297	15,297	16,450	16,450
UK Government bodies, local & health authorities	4,285	4,285	4,549	4,549
UK based charities	4,534	4,534	3,881	3,881
UK industry, commerce & public corporations	1,165	1,220	1,266	1,367
EU government bodies	7,123	7,123	7,378	7,378
EU other	3,358	3,358	1,406	1,406
Other overseas	4,135	4,135	4,360	4,360
Other sources	133	133	130	130
	40,030	40,085	39,420	39,521

Included in the Statement of Financial Position is £4.0m in relation to government grants with time, performance or milestone conditions where the conditions were unfulfilled as at 31 July 2020 and where income will be released over the coming financial periods as these conditions are met. Research grant and contract income disclosed above includes a number of contracts where income is released over a number of years as specific milestones or other performance conditions will be met and will continue to be released over a number of years.

4. Other income

	Year ended 31 July 2020		Year ended 31 July 2019	
	Consolidated £000	University £000	Consolidated £000	University £000
Residences fees	26,273	26,273	28,937	28,937
Insurance compensation	15,913	15,913	4,680	4,680
Consultancy, knowledge transfer and cultural engagement	3,888	420	3,259	425
Capital donations	3,139	3,139	5,410	5,410
Third party contributions to operational activities	3,071	2,659	4,300	4,279
External contribution to salaries	1,409	1,487	1,746	1,822
Conference sales	1,242	-	2,821	-
Miscellaneous sales	1,200	578	2,032	827
Royalties	930	930	759	759
Memberships	797	797	1,151	1,151
Non research prizes and awards	765	765	714	714
Other services provided	664	719	648	497
Bar sales	638	638	931	931
Other income	614	614	1,260	1,260
Continuing professional development	335	335	388	388
Rental	312	434	409	568
Hire and facilities	309	309	422	422
Academic conferences	199	199	623	623
Subscription income	72	72	91	91
Foreign exchange gains	27	95	798	731
	61,797	56,376	61,379	54,515

5. Investment income

	Year ended 31 July 2020		Year ended 31 July 2019	
	Consolidated £000	University £000	Consolidated £000	University £000
Interest from short-term investments	579	524	841	783
Interest from long-term investments	-	197	-	220
Investment income on restricted endowments	2,881	2,881	2,594	2,594
Investment income on unrestricted endowments	288	288	267	267
	3,748	3,890	3,702	3,864

6. Donations and endowments

	Year ended 31 July 2020		Year ended 31 July 2019	
	Consolidated £000	University £000	Consolidated £000	University £000
New endowments (note 23)	1,418	1,418	6,217	6,217
Donations with restrictions (note 24)	2,760	2,760	2,151	2,151
Restricted donations with performance conditions	404	404	424	424
Unrestricted donations	610	894	506	846
	5,192	5,476	9,298	9,638

7. Staff costs

	Year ended 31 July 2020		Year ended 31 July 2019	
	Consolidated £000	University £000	Consolidated £000	University £000
Staff Costs:				
Salaries	112,036	109,591	108,623	105,297
Social security costs	10,280	10,147	9,844	9,727
Movement on USS deficit provision	(28,804)	(28,804)	39,293	39,293
Other pension costs (note 32)	22,793	22,640	20,444	20,316
	116,305	113,574	178,204	174,633

Included within grant income (note 2) is funding for staff costs reclaimed through the Coronavirus Job Retention Scheme (CJRS) of £2.9m (2018/19: nil) for the period from March 2020 to July 2020. During this period, funding was received for a total of 920 staff as detailed below:

7. Staff costs (cont'd)

	March 2020	April 2020	May 2020	June 2020	July 2020	Total 2020
Salaried/permanent staff	222	344	79	53	-	698
Casual staff	208	9	5	-	-	222
Total	430	535	84	53	-	920

Of the 920 staff furloughed, around 63% related to Estates and Residential staff as halls and buildings remained predominantly closed during this time.

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

	Year ended 31 July 2020 £000	Year ended 31 July 2019 £000
Emoluments of the Principal:		
Salary	256	260
Pension contributions to USS	-	26
Additional payment in lieu of employers pension contributions	32	8
Other taxable benefits:		
Payments to third parties	1	1
Non-taxable benefits:		
Living accommodation	7	6
Total emoluments	296	301

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

The Principal opted out of the Universities Superannuation Scheme (USS) from 1 May 2019 and was in receipt of a salary supplement in lieu of pension contributions, as outlined above.

In response to the Covid-19 situation, the Principal agreed to waive 20% of her salary for the four months from May to August 2020. The amount shown above is the reduced amount, taking account of the waiver for the three months falling within the year ended 31 July 2020. The amount of the waiver for the year ended 31 July 2020 was £13,500.

The Principal's remuneration is 7.53 times (2019: 7.38 times) the median pay of staff, where the median pay is based on the annualised full-time equivalent remuneration of all staff at the reporting date and the Principal's salary is based on the annual full time equivalent rather than the reduced amount shown above. The Principal's remuneration (net of waiver) is 7.16 times the median pay of staff, as defined above. There is no significant change in median compared to prior year.

7. Staff costs (cont'd)

	2019/20 No.	2018/19 No.
Remuneration of other higher paid staff, excluding employer's pension contributions:		
£100,001 to £105,000	17	7
£105,001 to £110,000	9	12
£110,001 to £115,000	4	6
£115,001 to £120,000	5	7
£120,001 to £125,000	6	5
£125,001 to £130,000	1	2
£130,001 to £135,000	1	3
£135,001 to £140,000	2	-
£140,001 to £145,000	-	1
£145,001 to £150,000	1	-
£150,001 to £155,000	1	-
£170,001 to £175,000	-	1
£175,001 to £180,000	1	-
£180,001 to £185,000	1	1
£190,001 to £195,000	-	2
£195,001 to £200,000	1	-
£220,001 to £225,000	-	1
£235,001 to £240,000	1	-
	51	48

The Principal has been excluded from the table above.

	No.	No.
Average staff numbers by major category:		
Academic	1,154	1,137
Academic support services	332	292
Research	336	336
Administration	417	428
Premises	249	229
Catering and residencies	278	291
	2,766	2,713

7. Staff costs – (cont'd)

Key management personnel

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

Principal & Vice-Chancellor; Master of the United College & Deputy Principal; Quaestor & Factor; Vice-Principal Education (Proctor); Vice-Principal (Governance); Vice-Principal (International Strategy & External Relations) & Senior Vice-Principal; Vice-Principal (Research & Innovation); Vice-Principal (Collections, Music & Digital Content); Assistant Vice-Principal (Provost); Assistant Vice-Principal (Diversity).

	Year ended 31 July 2020 £000	Year ended 31 July 2019 £000
Salaries	1,257	1,241
Employer's pension contributions	202	185
Total compensation	1,459	1,426

	Year ended 31 July 2020 No.	Year ended 31 July 2019 No.
Number of posts (expressed as full-time equivalents) that are included as key management personnel	10.1	9.4

In the prior year to 31 July 2019, two new posts were established, the position of Assistant Vice-Principal (Provost) in August 2018 and the position of Assistant Vice-Principal (Diversity) in March 2019. The increase reflects the full year equivalent of these posts.

8. Interest and other finance costs

	Year ended 31 July 2020		Year ended 31 July 2019	
	Consolidated £000	University £000	Consolidated £000	University £000
Loan interest	4,085	4,084	4,090	4,090
Interest paid to endowment funds	13	13	11	11
Net charge on USS pension scheme	956	956	455	455
Net charge on S&LAS pension scheme (note 32)	1,091	1,091	888	888
	6,145	6,144	5,444	5,444

9. Analysis of total expenditure by activity

	Year ended 31 July 2020		Year ended 31 July 2019	
	Consolidated £000	University £000	Consolidated £000	University £000
Academic and related expenditure	72,325	72,325	117,696	117,696
Academic support services	20,771	20,771	25,027	25,027
Administration and central services	24,482	24,482	26,589	26,589
Premises (including service concession costs)	23,787	25,601	24,007	25,396
Research grants and contracts	27,394	27,394	34,573	34,573
Residences, catering and conferences	24,230	25,930	23,754	24,865
Other expenses	25,734	17,948	28,722	19,661
BMS fire expenditure	11,915	11,915	4,348	4,348
	230,638	226,366	284,716	278,155

Other operating expenses include:	2019/20	2018/19
External auditor's remuneration in respect of:		
audit services	177	128
assurance related non-audit services	40	6
Internal auditor's remuneration in respect of:		
audit services	94	79
non-audit services	78	390
Hire of plant and equipment	336	276

The non-audit assurance related services provided by the external auditors in 2019/20 include the triennial review of the US GAAP accounts. The non-audit services provided by internal auditors included both tax and actuarial pension advice. Around £0.3m of the fees charged in 2018/19 were one-off contingency fees relating to a detailed review of the University's partial exemption methodology which resulted in significant VAT savings.

10. Taxation

	Year ended 31 July 2020		Year ended 31 July 2019	
	Consolidated £000	University £000	Consolidated £000	University £000
Tax charge on subsidiary profits	48	-	-	-

11. Tangible Fixed Assets

Consolidated	Land and Buildings £000	Assets under Construction £000	Equipment & Furniture £000	Endowed Properties £000	Total £000	Heritage Assets £000	Total £000
Cost							
At 1 August 2019	430,925	48,551	103,370	2,735	585,581	38,808	624,389
Additions	804	44,244	5,040	-	50,088	-	50,088
Transfers	27,602	(28,073)	471	-	-	-	-
Revaluation	(212)	-	-	(85)	(297)	-	(297)
Disposals	(61)	-	(1,391)	-	(1,452)	-	(1,452)
At 31 July 2020	459,058	64,722	107,490	2,650	633,920	38,808	672,728
Depreciation							
At 1 August 2019	99,571	-	86,820	-	186,391	-	186,391
Charge for Year	10,530	-	4,185	-	14,715	-	14,715
Disposals	(21)	-	(1,328)	-	(1,349)	-	(1,349)
At 31 July 2020	110,080	-	89,677	-	199,757	-	199,757
Net Book Value							
At 31 July 2020	348,978	64,722	17,813	2,650	434,163	38,808	472,971
At 31 July 2019	331,354	48,551	16,550	2,735	399,190	38,808	437,998

11. Tangible Fixed Assets (cont'd)

University	Land and Buildings £000	Assets under Construction £000	Equipment & Furniture £000	Endowed Properties £000	Total £000	Heritage Assets £000	Total £000
Cost							
At 1 August 2019	413,263	48,551	97,896	2,735	562,445	38,808	601,253
Additions	516	44,244	4,996	-	49,756	-	49,756
Transfers	27,602	(28,073)	471	-	-	-	-
Revaluation	(212)	-	-	(85)	(297)	-	(297)
Disposals	(61)	-	(1,391)	-	(1,452)	-	(1,452)
At 31 July 2020	441,108	64,722	101,972	2,650	610,452	38,808	649,260
Depreciation							
At 1 August 2019	97,841	-	85,368	-	183,209	-	183,209
Charge for Year	9,838	-	3,819	-	13,657	-	13,657
Disposals	(21)	-	(1,328)	-	(1,349)	-	(1,349)
At 31 July 2020	107,658	-	87,859	-	195,517	-	195,517
Net Book Value							
At 31 July 2020	333,450	64,722	14,113	2,650	414,935	38,808	453,743
At 31 July 2019	315,422	48,551	12,528	2,735	379,236	38,808	418,044

Included within fixed assets is an amount of £3.5m (2018/19: £3.5m) of capitalised finance costs.

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

12. Heritage assets

Additions and Disposals

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

	2020 £000	2019 £000	2018 £000	2017 £000	2016 £000
Acquisitions purchased with University funds	-	45	60	-	45
Total cost of acquisitions purchased	-	45	60	-	45
Value of acquisitions by donation	-	-	-	270	-
Total acquisitions purchased	-	45	60	270	45

12. Heritage assets (cont'd)

Main Collections

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

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

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

- The Museum Collections – www.st-andrews.ac.uk/policy/library-and-museum-services/internal/collections-development-policy.pdf
- The Special Collections – www.st-andrews.ac.uk/library/specialcollections/aboutus/policies/

13. Service concession arrangements

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

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

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

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

The University has the option to provide an annual occupancy commitment and as a result of this option being exercised during the current year, £6.5m of 2019/20 rental costs has been recorded within other operating expenses, with a corresponding income of £6.5m. In the Statement of Financial Position, the University has recorded a liability of £6.5m which has been offset by £6.5m debtor in relation to service concession arrangements.

14. Non-current Investments

	Subsidiary companies £000	Other fixed asset investments £000	Total £000
Consolidated			
At 1 August 2019	-	79,328	79,328
Additions	-	29,170	29,170
Disposals	-	(24,015)	(24,015)
Appreciation	-	5,222	5,222
Debtor movement	-	118	118
Cash movement	-	44	445
At 31 July 2020	-	90,268	90,268
University			
At 1 August 2019	15,024	79,328	94,352
Additions	2,800	29,170	31,970
Disposals	-	(24,015)	(24,015)
Appreciation	-	5,222	5,222
Debtor movement	-	118	118
Cash movement	-	445	445
At 31 July 2020	17,824	90,268	108,092

14. Non-current Investments (cont'd)

Additional Analysis of other fixed asset investments	£000
Endowment Equities	69,902
Non-Endowment Equities	53
Multi-asset Investments	8,490
Property Trust	10,398
Creditors	124
Cash and cash equivalent	1,301
Total Investments	90,268

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

Subsidiary companies

The University owns the following subsidiary companies directly:

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

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

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

15. Investment in associates

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

management of student accommodation and associated services. The profit share of £0.1m (2018/19: £0.4m) has been recognised as income and is reported in the Consolidated Statement of Comprehensive Income.

16. Stock

	As at 31 July 2020		As at 31 July 2019	
	Consolidated £000	University £000	Consolidated £000	University £000
Stocks of:				
Consumables	793	793	831	831
Goods for resale	234	-	205	-
	1,027	793	1,036	831

17. Trade and other receivables

	As at 31 July 2020		As at 31 July 2019	
	Consolidated £000	University £000	Consolidated £000	University £000
Amounts receivable within one year				
Research grants receivables	7,970	7,970	8,060	8,060
Debts due from students	1,432	1,432	514	514
Trade receivables	2,296	1,593	3,137	2,367
Amounts due from subsidiary companies	-	1,458	-	1,267
Other receivables	2,328	269	1,491	39
Prepayments and accrued income	15,372	14,630	15,899	15,397
	29,398	27,352	29,101	27,644
Amounts receivable after more than one year				
Amounts due from subsidiary companies	-	9,288	-	11,000
Total trade and other receivables	29,398	36,640	29,101	38,644

Interest of £0.2m (2018/19: £0.2m) which relates to the long-term receivable due from subsidiaries has been credited to the University's Statement of Comprehensive Income (note 5).

18. Current investments

	As at 31 July 2020		As at 31 July 2019	
	Consolidated £000	University £000	Consolidated £000	University £000
Deposits maturing:				
In one year or less	8,275	8,275	33,681	33,681
	8,275	8,275	33,681	33,681

19. Creditors: amounts falling due within one year

	As at 31 July 2020		As at 31 July 2019	
	Consolidated £000	University £000	Consolidated £000	University £000
Trade payables	5,558	5,099	5,979	5,038
Social security and other taxation payable	2,880	2,729	4,031	3,900
Amounts owed to group undertakings	-	1,493	-	1,492
Accruals and deferred income	73,833	74,445	73,571	74,301
Unsecured loans (note 21)	10,965	10,965	960	960
	93,236	94,731	84,541	85,691

Deferred income

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

	As at 31 July 2020		As at 31 July 2019	
	Consolidated £000	University £000	Consolidated £000	University £000
Donations with performance conditions	3,243	3,243	2,201	2,201
Doctorial training grants	1,549	1,549	1,532	1,532
Student receipts in advance	11,224	11,224	16,632	16,632
Grant income (including pooling)	24	24	44	44
Other income with performance conditions	2,503	2,503	2,229	2,229
Research grants received on account	30,242	30,242	25,120	25,120
Other accruals and deferred income	18,495	19,107	19,478	20,208
Service concession arrangement	6,553	6,553	6,335	6,335
	73,833	74,445	73,571	74,301

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

	As at 31 July 2020		As at 31 July 2019	
	Consolidated £000	University £000	Consolidated £000	University £000
Unsecured loans	111,163	111,163	111,173	111,173
Cumulative convertible preference shares	95	-	95	-
	111,258	111,163	111,268	111,173

21. Loans

Analysis of unsecured loans:

	As at 31 July 2020		As at 31 July 2019	
	Consolidated £000	University £000	Consolidated £000	University £000
Due within one year (note 19)	10,965	10,965	960	960
Due between one and two years	960	960	960	960
Due between two and five years	10,638	10,638	10,638	10,638
Due in five years or more	99,565	99,565	99,575	99,575
Due after more than one year	111,163	111,163	111,173	111,173
Total unsecured loans	122,128	122,128	112,133	112,133
Unsecured loans repayable by 2022	1,257	1,257	1,257	1,257
Unsecured loans repayable by 2023	6,500	6,500	6,500	6,500
Unsecured loans repayable by 2026	4,261	4,261	4,261	4,261
Unsecured loans repayable by 2028	75	75	85	85
Unsecured loans repayable by 2029	2,070	2,070	2,070	2,070
Unsecured loans repayable by 2037	37,000	37,000	37,000	37,000
Unsecured loans repayable by 2048	60,000	60,000	60,000	60,000
	111,163	111,163	111,173	111,173

Included in loans are the following:

Lender	Amount £000	Repayments Commence	Interest Rate
Amber Green SPRUCE 2 LLP	6,500	2023	2.00%
Northwestern Mutual Life Insurance	37,000	2033	2.43%
Barclays Bank Plc	60,000	2039	5.06%
SFC (Salix carbon reduction loan)	4,981	2021	-
SFC (Salix original loan)	1,257	2022	-
Lawn Tennis Association	90	2019	-
SFC (Solar farm loan)	2,300	2021	0.25%
RBS Revolving Credit Facility	10,000	n/a	LIBOR + 0.60%
Total	122,128		

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

Lending arrangements with Amber Green SPRUCE 2 LLP, Northwestern Mutual Life Insurance, Barclays and RBS are subject to the following financial covenants; Debt Service to Total Income, Adjusted Cashflow to Debt Service, Total External Debt to Consolidated Total Assets, EBITDA to Debt Service and Adjusted Surplus requirements. In addition to this the University agreed to report monthly Liquidity information to lenders. All financial covenants were met in the year to 31 July 2020.

The University drew down £10.0m of its Revolving Credit Facility (RCF) for two months ending 28 September 2020. The RCF was repaid in full on 28th September 2020. The University does not intend to make any further draw downs on its facility over the next 18 months.

22. Provisions for liabilities

Consolidated	Obligation to fund deficit on USS pension £000	Defined Benefit Obligations (note 32) £000	Total Pensions Provision £000	Other Provisions £000	Early Retirement Provision £000	Total Other Provisions £000
Balance at 1 August 2019	(60,520)	(47,227)	(107,747)	(783)	(268)	(1,051)
Utilised in year	274	11,242	11,516	183	231	414
Additions	27,574	(40,099)	(12,525)	(6,695)	(301)	(6,996)
Balance at 31 July 2020	(32,672)	(76,084)	(108,756)	(7,295)	(338)	(7,633)

University	Obligation to fund deficit on USS pension £000	Defined Benefit Obligations (note 32) £000	Total Pensions Provision £000	Other Provisions £000	Early Retirement Provision £000	Total Other Provisions £000
Balance at 1 August 2019	(60,520)	(47,227)	(107,747)	(783)	(268)	(1,051)
Utilised in year	274	11,242	11,516	183	231	414
Additions	(27,574)	(40,099)	(12,525)	(6,695)	(301)	(6,996)
Balance at 31 July 2020	(32,672)	(76,084)	(108,756)	(7,295)	(338)	(7,633)

USS deficit

The obligation to fund the past deficit on the University Superannuation Scheme (USS) arises from the contractual obligation with the USS to fund deficit payments in accordance with the deficit recovery plan. In calculating this provision, management have estimated future staff levels within the USS scheme for the duration of the contractual obligation and salary inflation. Key assumptions are provided in note 32(a).

Following the completion of the 2018 actuarial valuation, a new deficit recovery plan has been agreed of which more detail is given in note 32(a). This new plan requires deficit payments of 2% of salaries from 1 October 2019 to 30 September 2021 and then payments of 6% of salaries from 1 October 2021 to 31 March 2028. As a consequence the deficit provision has decreased significantly from the prior year of which £28.8m is due to the change in the deficit contributions contractual commitment.

More details on the 2018 actuarial valuation, and the associated recovery plan is set out in note 32.

Included in other provisions is £5.7m reflecting the best estimate of amounts payable to the insurance company in relation to BMS fire related assets.

23. Endowment reserves

Consolidated and University	Unrestricted permanent endowments £000	Restricted permanent endowments £000	2020 Total £000	2019 Total £000
Balances at 1 August 2019				
Capital	7,239	77,714	84,953	73,605
Accumulated income	-	4,944	4,944	4,154
	7,239	82,658	89,897	77,759
New endowments	49	1,369	1,418	6,217
Transfers	(190)	(1,800)	(1,990)	(1,705)
Investment income	288	2,881	3,169	2,861
Expenditure	(288)	(1,770)	(2,058)	(2,071)
Increase in market value of investments	458	4,679	5,137	6,836
Total endowment comprehensive income for the year	317	5,359	5,676	12,138
Balances as at 31 July 2020	7,556	88,017	95,573	89,897
Represented by:				
Capital	7,556	81,962	89,518	84,953
Accumulated Income	-	6,055	6,055	4,944
	7,556	88,017	95,573	89,897
Analysis by type of purpose:				
	£000	£000	£000	£000
Chairs and Lectureships	-	21,794	21,794	20,113
Academic Schools / Unit Support	-	9,444	9,444	6,938
Scholarships and Bursaries	-	52,269	52,269	51,161
Prize funds	-	1,860	1,860	1,711
General	7,556	-	7,556	7,239
Endowment Property	-	2,650	2,650	2,735
	7,556	88,017	95,573	89,897

23. Endowment reserves (cont'd)

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

Name of Fund	As at 31 July 2019 £000	New/ Additions £000	Change in market value £000	Transfer of realised appreciation £000	Income £000	Expenditure £000	As at 31 July 2020 £000
United College Chairs	9,590	-	605	(252)	381	(381)	9,943
Lapsed Bursaries Fund	6,310	-	388	(162)	245	(78)	6,703
Robert T Jones Memorial Trust Scholarship	5,000	-	318	-	68	-	5,386
General Unrestricted Fund	3,902	-	246	(103)	155	(155)	4,045
Shelby Cullom Davis Chair	2,055	804	126	(52)	80	-	3,013
The R&A Ransome Scholarship	2,668	-	168	(70)	106	(104)	2,768
600th Anniversary Endow Fund	2,435	49	155	(64)	97	(97)	2,575
American Literature Fund	2,246	-	127	(53)	81	-	2,401
Prof & Mrs Purdie's Bequests	2,284	1	(125)	(4)	38	(3)	2,191
Maitland Ramsay PG Scholarship	1,872	-	103	(43)	66	(1)	1,997
PhD Studentships (Anonymous)	1,922	-	113	(47)	71	(74)	1,985
600th Anniversary Scholarship Fund	1,809	27	105	(43)	66	(27)	1,937
D & G Bonnyman PG Scholarship	1,875	-	112	(47)	71	(78)	1,933
Gifford Bequest	1,470	-	75	(31)	48	(53)	1,509
Moncrieff Travelling Scholarship	1,256	-	71	(30)	45	(24)	1,318
John & Aileen Irving Fund	1,218	-	68	(28)	43	-	1,301
Barbara Bennett Ure Scholarship	1,188	-	70	(29)	44	(22)	1,251
Don Scholarship	909	-	48	(20)	31	-	968
Harold Mitchell Fellowship	945	-	5	(22)	33	(39)	969
The R&A International Scholarship	913	-	57	(24)	36	(21)	961
	51,867	881	2,882	(1,124)	1,805	(1,157)	55,154

24. Restricted reserves

Reserves with restrictions are as follows:

Consolidated and University	Unspent capital grants £000	Restricted donations £000	2020 Total £000	2019 Total £000
Balances at 1 August	9,830	7,635	17,465	11,385
New grants	3,139	-	3,139	5,410
New donations	-	2,760	2,760	2,151
Capital grants utilised	(1,464)	(3,000)	(4,464)	(180)
Expenditure	-	(1,240)	(1,240)	(1,301)
Total restricted comprehensive income for the year	1,675	(1,480)	195	6,080
Balances as at 31 July	11,505	6,155	17,660	17,465

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

	2020 Total £000	2019 Total £000
Chairs and Lectureships	2	2
Academic Schools / Unit Support	3,175	2,190
Scholarships and Bursaries	2,823	2,363
Prize funds	155	80
Capital projects	-	3,000
	6,155	7,635

25. Cash and cash equivalents

Consolidated	At 1 August 2019 £000	Cash Flows £000	At 31 July 2020 £000
Cash and cash equivalents	24,533	3,570	28,103

26. Consolidated statement of net debt

	As at 31 July 2020 £000
Net debt at 1 August 2019	(94,030)
Increase in cash and cash equivalents	3,570
Other non-cash changes	(10,213)
Net debt at 31 July 2020	(100,673)
Change in net debt	(6,643)

Analysis of net debt:

	As at 31 July 2020 £000	As at 31 July 2019 £000
Cash and cash equivalents	28,103	24,533
Borrowings: amounts falling due within one year		
Unsecured loans	(10,965)	(960)
Service concession arrangements (note 14)	(6,553)	(6,335)
	(17,518)	(7,295)
Borrowings: amounts falling due after more than one year		
Unsecured loans	(111,258)	(111,268)
Net debt	(100,673)	(94,030)

27. Capital and other commitments

Provision has not been made for the following capital commitments at 31 July 2020

Consolidated and University	As at 31 July 2020		As at 31 July 2019	
	Consolidated £000	University £000	Consolidated £000	University £000
Commitments contracted for	11,764	11,764	42,192	42,192
Authorised but not contracted for	24,495	24,495	15,696	15,696
	36,259	36,259	57,888	57,888

28. Lease obligations

Total rentals payable under operating leases:

	Land and Buildings £000	Plant and Machinery £000	Total as at 31 July 2020 £000	Total as at 31 July 2019 £000
Payable during the year	437	70	507	508
Future minimum lease payments due:				
Not later than 1 year	349	8	357	493
Later than 1 year and not later than 5 years	547	12	559	707
Later than 5 years	984	-	984	1,040
Total lease payments due	2,317	90	2,407	2,748

29. Events after the reporting period

In September 2020, the Trustees of the USS Pension Scheme (USS) launched a consultation with Universities UK on key aspects of the scheme's 2020 valuation. The scope of this exercise covers a wide range of potential outcomes – reflecting issues still to be resolved on employer support as well as uncertainties for the higher education sector and financial markets in general – but, based on the proposals put forward, the Trustees have indicated that the fund's deficit at 31 March 2020 could range from between £9.8bn and £17.9bn.

This would represent a significant deterioration from the £3.6bn deficit established under the 2018 valuation (and against which the current recovery plan is set) and a return to the levels of shortfall experienced under the previous 2017 valuation (£11.8bn).

At this stage, an outcome is far from agreed and the USS Trustee has until 30 June 2021 to conclude the valuation. As an early indication of the scale of impact

though, it has been estimated that the cost of continuing to offer current benefits in this context could reach between 40.8% to 67.9% of payroll. However, this range is purely an illustration and is before any other measures are considered to reduce the deficit and is still being widely debated across the sector and by the Trustees of the Pension Scheme. For the 2019-20 financial year however, this is considered a non-adjusting event.

There have been numerous developments in relation to the pandemic subsequent to 31 July 2020, including the return of students to the University campus for the 2020/21 academic year and ongoing revisions to relevant legislation and guidance, all of which the University is following. The University continues to monitor and assess the financial impact of Covid-19 and the subsequent changes to its operating environment for 2020/21. From our assessment of these developments we have not identified any adjusting events.

30. Amounts disbursed as an agent

Consolidated and University	Year ending 31 July 2020 £000	Year ending 31 July 2019 £000
Discretionary fund		
Income		
Excess of income over spend at 1 August	-	-
Funding Council grants	384	356
	384	356
Expenditure		
Disbursed to students	(340)	(310)
Transferred to Childcare Fund	(43)	(44)
Fund running cost	(1)	(2)
	(384)	(356)
Excess of income over expenditure at 31 July	-	-
Childcare fund	£000	£000
Income		
Excess of income over spend at 1 August	-	-
Funding Council grants	-	-
	-	-
Expenditure		
Disbursed to students	(43)	(44)
Transferred from Discretionary Fund	43	44
	-	-
Excess of income over expenditure at 31 July	-	-

Included in Funding Council grants figure above is £11,336 additional funding received in respect of Covid-19. Excluded from Funding Council Grants is advance funding of £236,575 received in June 2020 relating to the year ending 31 July 2021.

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

31. Disclosure of related party transactions

Due to the nature of the University's activities and the composition of Court, (members being drawn from public and private sector organisations), transactions may take place with organisations in particular with similar public bodies, which a member of Court may have an interest. From time to time, as supporters of the University, Court members may make donations of varying amounts to assist the University in achieving its goals. All members

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

32. Pension schemes

The University contributes to two principal pension schemes for its staff:

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

A small number of staff contribute to other defined contribution schemes for which the University has no further payment obligation once the contributions are paid over.

The total pension cost for the University and its subsidiaries was:

	Year ended 31 July 2020 £	Year ended 31 July 2019 £
USS	15,213	12,835
S&LAS (including FRS 102 adjustments)	6,899	7,045
Other pension schemes	681	564
Total operating charge	22,793	20,444

a) Universities Superannuation Scheme (USS)

The institution participates in Universities Superannuation Scheme (USS) which is the main scheme covering most academic and academic-related staff. The Scheme is a hybrid pension scheme, providing defined benefits (for all members), as well as defined contribution benefits. The assets of the scheme are held in a separate trustee-administered fund.

Because of the mutual nature of the scheme, the assets are not attributed to individual institutions and a scheme-wide contribution rate is set. The institution is therefore exposed to actuarial risks associated with other institutions' employees and is unable to identify its share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis. As required by Section 28 of FRS 102 "Employee Benefits", the institution therefore accounts for the scheme as if it were a wholly defined contribution scheme. As a result, the amount charged to the Consolidated Statement of Comprehensive Income represents the contributions payable to the scheme. Since the institution has entered into an agreement (the Recovery Plan) that determines how each employer within the scheme will fund the overall deficit, the institution recognises a liability for the contributions payable that arise from the agreement (to the extent that they relate to the deficit) with related expenses being recognised through the Consolidated Statement of Comprehensive Income.

The total credit to the Consolidated Statement of Comprehensive Income is £12.6m (2018/19: charge of £52.6m). This includes £27.8m decrease to the deficit provision as a result of the updated schedule of contributions and £15.2m of contributions, £1.3m of which were outstanding at the reporting date (2018/19: £12.8m and £1.2m respectively). Deficit recovery contributions due within one year for the University are £1.5m (2018/19: £1.2m).

The latest available complete actuarial valuation of the Retirement Income Builder is at 31 March 2018 (the valuation date), which was carried out using the Projected Unit method. A valuation as at 31 March 2020 is underway but not yet complete.

Since the institution cannot identify its share of the USS Retirement Income Builder assets and liabilities, the following disclosures reflect those relevant for those assets and liabilities as a whole.

The 2018 valuation was the fifth valuation for the scheme under scheme-specific funding regime introduced by the Pensions Act 2004, which requires schemes to adopt a statutory funding objective, which is to have sufficient and appropriate assets to cover their technical provisions. At the valuation date, the value of the assets of the scheme was £63.7bn and the value of the scheme's technical provisions was £67.3bn indicating a shortfall of £3.6bn and a funding ratio of 95%.

32. Pension schemes (cont'd)

The key financial assumptions used in the 2018 valuation are described below. More detail is set out in the Statement of Funding Principles.

Pension increases (CPI)	Term dependent rates in line with the difference between the Fixed Interest and Index Linked yield curves, less 1.3% p.a.
Discount rate (forward rates)	Years 1-10: CPI – 0.14% reducing linearly to CPI – 0.73%
	Years 11-20: CPI + 2.52% reducing linearly to CPI + 1.55% by year 21
	Years 21+: CPI +1.55%

The main demographic assumption used relates to the mortality assumptions. These assumptions are based on analysis of the scheme's experience carried out as part of the 2018 actuarial valuation. The mortality assumptions used in these figures are as follows:

	2020	2019
Mortality base table	Pre-retirement: 71% of AMC00 (duration 0) for males and 112% of AFC00 (duration 0) for females	Pre-retirement: 71% of AMC00 (duration 0) for males and 112% of AFC00 (duration 0) for females
	Post-retirement: 97.6% of SAPS SINMA "light" for males and 102.7% of RFV00 for females	Post-retirement: 96.5% of SAPS SINMA "light" for males and 101.3% of RFV00 for females
Future improvements to mortality	CMI_2017 with a smoothing parameter of 8.5 and a long-term improvement rate of 1.8% pa for males and 1.6% pa for females	CMI_2016 with a smoothing parameter of 8.5 and a long-term improvement rate of 1.8% pa for males and 1.6% pa for females

The current life expectancies on retirement at age 65 are:

	As at 31 July 2020 Years	As at 31 July 2019 Years
Males currently aged 65 (years)	24.4	24.6
Females currently aged 65 (years)	25.9	26.1
Males currently aged 45 (years)	26.3	26.6
Females currently aged 45 (years)	27.7	27.9

The funding position of the scheme has since been updated on an FRS 102 basis:

	As at 31 July 2020 £	As at 31 July 2019 £
Scheme assets	£63.7bn	£60.0bn
Total scheme liabilities	£67.3bn	£67.5bn
FRS 102 total scheme deficit	£3.6bn	£7.5bn
FRS 102 total funding level	95%	89%

32. Pension schemes (cont'd)

Key assumptions used are:

	As at 31 July 2020	As at 31 July 2019
Discount rate	2.59%	2.44%
Pensionable salary growth	4.20%	2.11%

USS – deficit recovery position

A new deficit recovery plan was put in place as part of the 2018 valuation, which requires payment of 2% of salaries over the period 1 October 2019 to 30 September 2021 and then payments of 6% of salaries from 1 October 2021 to 31 March 2028. The 2020 deficit recovery liability reflects this plan. In the year ended 31 July 2019, the liability was based on the previous deficit recovery plan, which required payment of 5% of salaries over the period 1 April 2020 to 30 June 2034. The reduction in the term of the deficit recovery plan has given rise to a substantial reduction in the deficit provision which has decreased from £60.5m to £32.7m as set out in note 22. £28.8m of this decrease is attributable to the change in the deficit contributions contractual commitment. See also note 7 in respect of significant one-off pension gains and costs.

A further full valuation as at 31 March 2020 is currently underway. As the valuation has only recently commenced, there is still work to be done agreeing the technical provisions assumptions, the extent of future investment risk, the duration of the deficit period and the level of deficit contributions. Rule changes in respect of strengthening the employer covenant are also in progress including restrictions on employer exits, debt monitoring and pari passu arrangements. The valuation must be completed by 30 June 2021. However, it is generally anticipated that there will be a significant increase in the deficit provision as at 31 July 2021 (assuming the valuation is completed by then).

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

	As at 31 July 2020	As at 31 July 2019
Discount rate	0.73%	1.58%
Salary growth – year 1	0.00%	3.15%
– year 2	1.00%	3.15%
– year 3	2.00%	2.15%
– thereafter	1.85%	2.15%

As set out in the accounting policies, there are some critical judgements made in estimating the obligation to fund the USS deficit. The sensitivity of the principal assumptions used to measure the provision are set out below:

	Increase in provision £000
0.5% pa decrease in discount rate	789
0.5% pa increase in salary inflation over duration	781
0.5% pa increase in salary inflation year 1 only	163
0.5% increase in staff changes over duration	785
0.5% increase in staff changes year 1 only	162
1% increase in deficit contributions to September 2021	867
1% increase in deficit contributions to March 2028	6,024

32. 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 in its Statement of Financial Position. A full actuarial valuation of the scheme was carried out at 31 July 2018 and updated to 31 July 2020 by a qualified independent actuary. The major assumptions used by the actuary, on the Projected Unit method, were:

Disclosure of principal assumptions	As at 31 July 2020	As at 31 July 2019
Rate of increase in salaries	0.00% ¹	3.15% ²
	1.00% ¹	2.15% ³
	2.00% ¹	-
	1.85% ³	-
Pension increases (RPI max 9.00%)	2.85%	3.20%
Pension increases (RPI max 2.50%)	2.10%	2.10%
Discount Rate	1.50%	2.25%
Inflation assumption (RPI)	2.85%	3.15%
Inflation assumption (CPI)	1.85%	2.15%

¹ for one year; ² for two years; ³ 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 2020 Years	As at 31 July 2019 Years
Retiring today:		
Males	21.2	21.1
Females	23.2	23.0
Retiring in 20 years:		
Males	22.5	22.4
Females	24.7	24.5

The table below shows the effect that changing the most significant assumptions at 31 July 2020 would have had on the defined benefit obligation.

	Decrease/(increase) in defined benefit obligation at 31 July 2020 £000
Increase of 0.25% in the discount rate	8,019
Decrease of 0.25% in the discount rate	(8,547)
Increase of 0.1% in inflation	(2,084)
Decrease of 0.1% in inflation	2,047
Increase of one year in life expectancy*	(5,077)

* Life expectancies would increase from 21.2 years to 22.2 years for a male currently aged 65, and from 22.5 years to 23.5 years for a male currently aged 45.

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

The fair value of the assets of the scheme are:

	Value at 31 July 2020 £000	Value at 31 July 2019 £000
Equities	37,718	38,233
Diversified Growth Fund	32,575	44,218
Commodities	7,393	-
Property	3,965	4,655
Multi-Asset Credit Fund	18,693	20,280
Other	8,170	3,792
	108,514	111,178

32. Pension schemes (cont'd)

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

	As at 31 July 2020 £000	As at 31 July 2019 £000
Total fair value of scheme assets	108,514	111,178
Present value of scheme liabilities	(184,598)	(158,405)
Deficit in scheme – Net pension liability	(76,084)	(47,227)

	As at 31 July 2020 £000	As at 31 July 2019 £000
Changes in the present value of the defined benefit assets:		
Opening fair value of scheme assets	111,178	105,446
Interest income on scheme assets	2,508	3,013
Return on assets in excess of interest income on scheme assets	(5,157)	2,907
Contributions by employer	4,620	4,296
Contributions by members	134	120
Benefits paid	(3,980)	(3,853)
Administrative expenses paid	(789)	(751)
Closing fair value of scheme assets	108,514	111,178

	As at 31 July 2020 £000	As at 31 July 2019 £000
Changes in the present value of the defined benefit liabilities:		
Opening defined benefit liability	158,405	136,001
Current service cost	6,110	4,726
Past service cost	-	1,568
Interest cost	3,599	3,901
Employee contributions	134	120
Actuarial loss – change in financial assumptions	17,036	18,681
Actuarial loss/(gain) – change in demographic assumptions	506	(2,739)
Experience loss on benefit obligation	2,788	-
Benefits paid	(3,980)	(3,853)
Closing defined benefit liability	184,598	158,405

32. Pension schemes (cont'd)

	Year ended 31 July 2020 £000	Year ended 31 July 2019 £000
Amounts charged to statement of consolidated income:		
Current service cost	6,110	4,726
Past service cost	-	1,568
Administrative expenses	789	751
Total operating charge	6,899	7,045
Net finance charge on pension scheme:		
Interest income on scheme assets	2,508	3,013
Administrative expenses	(3,599)	(3,901)
Total operating charge	(1,091)	(888)

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

	As at 31 July 2020 £000	As at 31 July 2019 £000
Deficit on scheme at 1 August	(47,227)	(30,555)
<i>Movement in year:</i>		
Current service cost	(6,110)	(4,726)
Past service cost	-	(1,568)
Administrative expenses	(789)	(751)
Contributions	4,620	4,296
Net finance charge	(1,091)	(888)
Actuarial loss	(25,487)	(13,035)
Deficit on scheme at 31 July	(76,084)	(47,227)

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

	Year ended 31 July 2020	Year ended 31 July 2019
	17.93%	17.93%

The estimated contribution to be paid to the scheme for the next accounting period is £3.1m (2018/2019: £3.0m). The employer's contribution to be paid next year is based on the current members of the scheme as at 31 July 2020.

32. Pension schemes (cont'd)

History of experience (losses) and gains	2020	2019	2018	2017	2016
Difference between the expected and actual return on scheme assets					
Amount (£000)	(5,157)	2,907	972	5,428	4,151
Percentage of scheme assets	4.8%	2.6%	0.9%	5.3%	4.4%
Experience (losses) and gains on scheme liabilities					
Amount (£000)	(2,788)	-	-	-	4,649
Percentage of the present value of the scheme liabilities	1.5%	-	-	-	3.4%

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



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