



**report & financial statements**

**2007**



## officers of the university

### Chancellor

**The Rt Hon the Lord Hope of Craighead**  
BA MA LLB PC FRSE HonLLD

### Principal and Vice-Chancellor

**Professor Andrew Hamnett**  
DL MA DPhil Hon DSc CChem FRSC FRSE

### Convener of Court

**J Fraser Livingston**  
FRICS

### Vice-Principal

**Professor James Love**  
BA MSc PhD

### Pro Vice-Principal

**Professor Kenneth Miller**  
LLB LLM PhD

### Deputy Principals

**Professor Rae Condie**  
BSc BA MSc MA(Ed) PhD FRSA

**Professor Allister Ferguson**  
BSc MA PhD CPhys FInstP FRSE FIEEE FOSA

**Professor James McDonald**  
BSc MSc PhD CEng FEng FRSE FIEE FInstP SMIEE

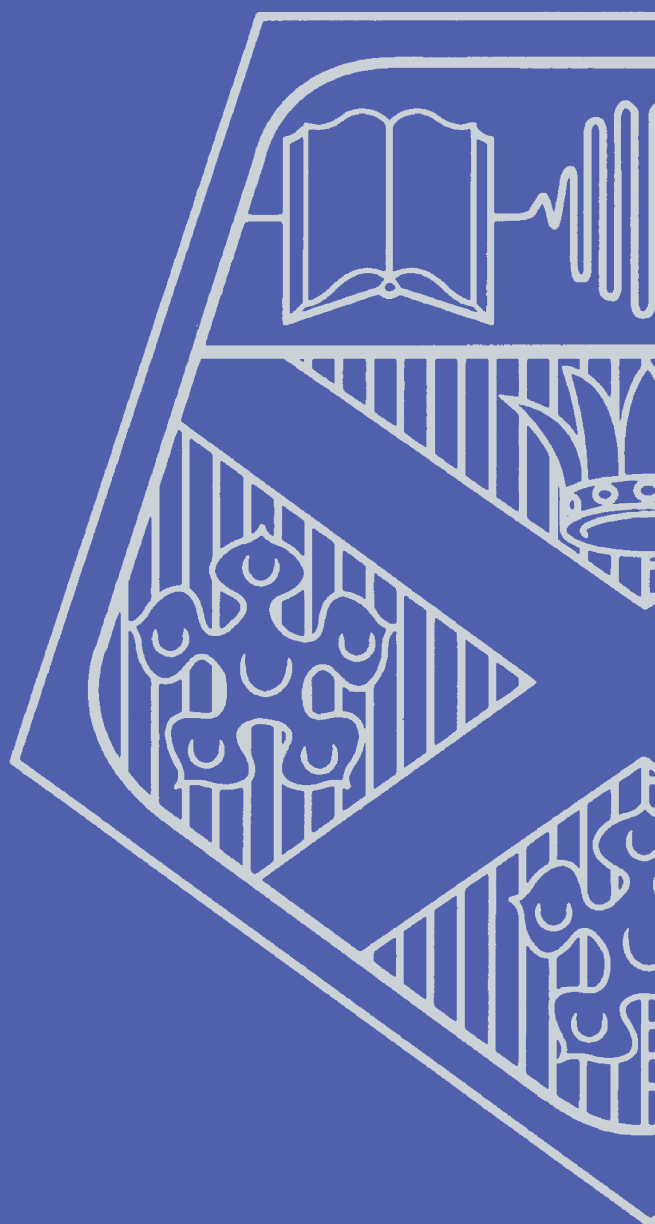
**Anne Hughes**  
DCE ITQ SQN MPhil

### Secretary

**Peter West**  
OBE DL MA DUniv DPhil

### Librarian and Head of Information Resources Directorate

**Professor Derek Law**  
MA DUniv FInfSc FKC FCLIP FRSE



## financial statements for the year to 31 July 2007

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## financial highlights

and other key statistics

	2007	2006
	£000	£000
<b>Summary Income and Expenditure Account</b>		
Funding Council grants	91,072	85,883
Tuition fees and education contracts	55,294	51,097
Research grants and contracts	32,110	29,398
Other income	25,518	24,676
Total income	203,994	191,054
Gain on disposal of fixed assets	8,272	2,244
Total expenditure	(196,550)	(184,371)
Transfer from accumulated income within specific endowments	62	76
Surplus for the year	<u>15,778</u>	<u>9,003</u>

### Summary Balance Sheet

Net assets	<u>208,189</u>	<u>184,945</u>
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### Summary Cashflow

Increase in net funds	<u>24,216</u>	<u>12,432</u>
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	2007	2006	2005	
<b>Research Income (£000)</b>	<u>32,110</u>	<u>29,398</u>	<u>26,290</u>	
<b>Staff Numbers (average)</b>	<u>3,603</u>	<u>3,574</u>	<u>3,496</u>	
<b>Full and part-time graduating students (headcount)</b>				
Undergraduate	Home/EU	15,627	15,013	14,822
	Overseas	595	328	321
Postgraduate instructional	Home/EU	7,157	7,249	6,720
	Overseas	1,078	1,078	1,001
Postgraduate research	Home/EU	1,115	1,007	1,040
	Overseas	467	429	403
<b>Total</b>	<b>Home/EU</b>	<u>23,899</u>	<u>23,269</u>	<u>22,582</u>
	<b>Overseas</b>	<u>2,140</u>	<u>1,835</u>	<u>1,725</u>
		<u>26,039</u>	<u>25,104</u>	<u>24,307</u>

### Undergraduates entering employment or further study

#### % employed or studying

	Strathclyde	Benchmark
2005/06	95.3	94.3
2004/05	94.5	94.3
2003/04	94.6	94.3

### Access to Higher Education

	2005/06 (%)	
	Strathclyde	Benchmark
Entrants from:		
States Schools	92.5	84.0
NS-SEC classes 4-7	28.9	26.0
Low participation neighbourhoods	20.2	12.3

The Financial Statements for the year ended 31 July 2007, which have been approved by the Court, represent the consolidated results of the University and its subsidiaries (the Group).

### Financial highlights

The Group's results for the year ended 31 July 2007 are summarised on page 2 of the Financial Statements. Income from continuing operations rose by £12.9M to £204.0M whilst expenditure rose by £12.2M to £196.5M. After gains on disposal of fixed assets of £8.3M (2005/06 £2.2M) highlighted below, the Group generated a surplus for the year of £15.8M (2005/06 £9.0M).

The growth in income is largely attributable to increases in Funding Council grants, tuition fees and income from research grants and contracts. Funding arrangements for Home/EU new entrants on degree courses were revised from 2006/07. The fee for new entrants was £1,700 instead of £1,200 for continuing students. This resulted in a transfer of £2.0M of resources from Scottish Funding Council grants to tuition fees. Despite this change, the recurrent teaching grant increased by £2.0M (3.6%) and the recurrent research grant rose by £2.1M (11.9%).

Tuition fees increased by £4.2M to £55.3M, an increase of 8.2%. Home/EU fees have increased by £2.7M (12.4%) of which some £2.0M (8.8%) is attributable to the revised funding arrangements. Overseas fees increased by £1.4M (8.8%).

Research Grant and Contract income is up by 9.2% from £29.4M to £32.1M. This is the first year where full economic costing (fEC) has had a significant impact on the overheads recovered on individual grants and contracts. Some £6.1M of Research income has been generated from grants and contracts costed on an fEC basis.

Interest receivable has contributed greatly to the surplus for the year. Higher cash balances and several increases in the Bank of England Base Rate has resulted in interest receivable rising from £2.8M to £4.0M.

Exceptional restructuring costs of £0.6M (2005/06 £Nil) were incurred as a result of restructuring within the Strathclyde Business School.

During the year, the University sold surplus land at Stepps for total consideration of £8.5M, realising a gain on disposal of £8.1M. These proceeds will contribute to the funding of the University's Estates Strategy.

### Investment performance

With the exception of the portfolio of endowment investments in stocks and shares transferred from the University of Strathclyde Foundation in 2001, the University's portfolios are managed by Newton Investment Management. At the year end, the University's investment of specific and general endowments, including the Hunter Endowment, managed by Newton Investment Management, had a market value of £14.4M. In addition to its endowments, the University has a general portfolio of investments which are intended to be held for use on a continuing basis in the activities of the University. These are included within fixed asset investments and, at the year end, had a market value of £5.9M.

### Investment performance continued

In reviewing the performance of Newton Investment Management, the performance of each portfolio has been compared to the return on the relevant World Market Index (WMI):

	2006/07		2005/06	
	Return on Portfolio	WMI	Return on Portfolio	WMI
General portfolio	10.8%	12.2%	12.8%	13.7%
Main endowment fund	12.0%	11.6%	12.1%	13.1%
Hunter endowment fund	9.8%	8.0%	11.1%	10.7%

The portfolio transferred from the University of Strathclyde Foundation is managed separately by Tilney Investment Management and had a market value of £4.4M at the year end. The benchmark index for this portfolio is the Association of Private Client Investment Managers and Stockbrokers (APCIMS) Balanced Portfolio Index.

The return on the portfolio compared to the benchmark was:

	2006/07		2005/06	
	Return on Portfolio	APCIMS	Return on Portfolio	APCIMS
Endowment portfolio	9.3%	9.3%	12.6%	11.6%

As this portfolio is required to deliver a significant and reliable level of income, it follows a relatively defensive investment strategy.

The investment performance and strategy of each portfolio is regularly reviewed.

### Cashflow

The University generated a net increase in funds during the year of £24.2M. The principal factors impacting net funds are an inflow from operating activities of £14.1M, a net inflow from returns on investments and servicing of finance of £4.2M and a net inflow from capital expenditure and financial investment of £5.9M. Further details are given in Notes 24 and 25 of the Financial Statements.

### Treasury management

The University actively manages its cash flow according to the Treasury Management Code of Practice approved by Court. Available funds are deposited in a variety of Treasury accounts, ranging from overnight to six months deposits. The University has a facility to deposit surplus cash up to the value of the long term loan on a back-to-back basis.

### Current and future developments

During the year, the University developed its Strategic Plan 2007 – 2011. At the heart of the plan is an Agenda for Excellence which sets challenging targets in the areas of Research, Education and Knowledge Exchange. It provides a clear framework for future development and, by delivering its Strategic Plan targets, the University has an opportunity to create a step-change in performance. Implementation of the plan will be underpinned by strategic funding for activities in all three main areas.

The University Estates Strategy will ensure that appropriate investment in infrastructure and facilities will support the implementation of the Strategic Plan. The proposed expenditure within the Estates Strategy is very significant. Planned expenditure on the Estate over the next three years is £34M, £61M and £69M respectively. In addition to providing facilities for the Faculty of Education on the city centre campus, a new Strathclyde Institute of Pharmacy and Biomedical Sciences Building and a new Sports and Health Facility, this also includes significant expenditure to address backlog maintenance issues.

**Current and future developments** continued

This expenditure will be funded from a variety of sources including: Funding Council grants, asset sales, fundraising, internally generated funds and additional external borrowings. In 2006/07, a total of £8.7M was incurred on additions to the Estate. Major projects included £2.6M in the Royal College to provide research facilities for the Department of Electronic and Electrical Engineering and WestCHEM, the postgraduate research school resulting from the pooling of the research activities of the Chemistry Departments of Glasgow and Strathclyde universities, £2.2M improving infrastructure, modernising laboratories and teaching facilities in the James Weir building, mainly for the Department of Mechanical Engineering and £1.0M in the Thomas Graham building to provide research laboratories for WestCHEM, £0.4M in the Colville building to enhance laboratory accommodation and £0.4M in the Graham Hills building to complete a teaching cluster and provide improved accommodation for the Department of Geography and Sociology. In addition, the design for the new Strathclyde Institute of Pharmacy and Biomedical Sciences Building was further developed.

**Staff and students with disabilities**

The University has a policy for promoting opportunities for staff and students with disabilities. This covers recruitment criteria, appraisal and training opportunities, support, awareness training for other staff, implementation and monitoring, and a complaints procedure. The University employs a Disability Adviser and an Equal Opportunities Officer to assist in improving opportunities for staff and students with disabilities and to monitor progress towards that aim.

The University has an ongoing programme of expenditure to ensure it meets the requirements of the Disability Discrimination Act. Funds of £3.0M have been set aside for this purpose.

**Payment of creditors**

The University attempts to ensure good relations with suppliers by making payment within 30 days of the invoice date or receipt of goods, whichever is later, as required by the Late Payment of Commercial Debts (Interest) Act, 1998. At the year end, the University had trade creditors outstanding of £5.3M. Given that the University paid a total of £65.5M to trade creditors during the year, the amount outstanding at the year end represents 29 days (2005/06 29 days). During the year no interest was paid in relation to the Late Payment of Commercial Debts (Interest) Act, 1998.

**Conclusion**

While a surplus of £15.8M is a satisfactory financial outcome for the year, it is clear that large one-off items played a major part. Nevertheless the scale of the surplus has enhanced reserves, better preparing the University for development of a one campus estate. Investment over a three year period of over £150M is vital if strategic goals are to be achieved but this will reduce cash balances to minimal levels and increase expenditure on depreciation and borrowing costs. The challenge will be to balance our resources in such a way as to provide a modern estate and a quality of staffing input that enhances the University's position as an attractive option for students at both undergraduate and post graduate level.

Once again, I extend my thanks to the Director of Finance and his staff for their assistance to me over the year.

**T J Monaghan**  
**Treasurer**  
**17 November 2007**

**Court**

The University is committed to exhibiting best practice in all aspects of corporate governance. This summary describes the manner in which the University has applied the principles set out in Section 1 of the Combined Code on Corporate Governance issued by the Financial Reporting Council (FRC) in June 1998 and revised in July 2003. The purpose of this summary is to help the reader of the Financial Statements understand how the principles of the Combined Code have been applied.

Under the terms of the University Charter and Statutes, Court is the Governing Body of the University and, as such is responsible for overseeing the management and administration of the whole of the revenue and property of the University. Court exercises general control over the University and all its affairs, purposes and functions, taking all final decisions on matters of fundamental concern to the University. As part of its primary responsibilities, 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.

There is a process for identifying, evaluating and managing the University's significant risks which complies with the internal control guidance for directors in the 1998 Combined Code as amended by the British Universities Finance Directors Group and as updated in 2003. The University's processes combine both a top-down and bottom-up approach to identification of risk. Strategic risks are identified and considered at various levels e.g. by the Senior Management Team, and, thereafter, are considered by the University's Management Committee (UMC), Audit Committee and Court. Similarly, every area of activity, both academic and administrative, reporting to UMC, is required to incorporate into its annual report its own risk assessment. The risk assessments are the subject of discussion at UMC and those are summarised into a formal report from UMC to Court.

The Court has a majority of lay members and includes members of academic staff, non-teaching staff and student member. It meets six times a year and much of its detailed work is initially handled by several committees, including a Staff Committee, a Remuneration Committee, a Court Membership Group, an Audit Committee, an Estates Strategy Committee and a Business Ventures Group. All of these committees are formally constituted, with terms of reference approved by Court, are chaired by lay members and report formally to Court on a regular basis.

The Staff Committee is responsible for employment policy, equal opportunities, staff development and well being, and partnership working with recognised Trade Unions.

The Court Membership Group considers nominations for co-opted vacancies in the Court's membership under Statute XIII of the University's Statutes, and also considers the matter of succession planning in relation to Court membership. A number of lay members are appointed by external bodies. These lay members are eligible for reappointment by the relevant bodies when their period of office expires.

The Remuneration Committee determines remuneration of the most senior staff, including the Principal.

The Estates Strategy Committee is responsible for all major property developments, and reports to Court on the implementation of the capital development programme.

The Business Ventures Group oversees and provides support for projects emanating from the University's own research activities which are considered to merit commercial development.

The Audit Committee has a key role to play in assisting Court review the arrangements for internal control and risk management. It meets four times a year, with the internal auditors in attendance at all meetings and the External Auditors in attendance at two meetings per year. The Committee considers detailed reports together with recommendations for the improvement of the University's systems of internal control and management's responses and implementation plans. It also receives and considers



the annual risk report, reports from the Funding Council and other bodies as they affect the University's business and monitors adherence to regulatory requirements. Whilst senior executives attend meetings of the Audit Committee as necessary, they are not members nor do they have voting rights. Committee members meet on their own and with the External Auditors for independent discussions.

In respect of its strategic and development responsibilities the Court receives recommendations and advice from the UMC, which reports to both Court and Senate, Senate being the body responsible for the University's academic affairs. The UMC is a formally constituted committee with the Principal in the chair and includes the primary budget holders of the University. The Convener of Court and the Treasurer attend its meetings. The UMC also recommends to the Court the University's annual revenue and capital budgets and monitors performance in relation to the approved budgets.

Court has in place a range of financial and non-financial performance measures related to the University's strategic objectives. A detailed schedule of reports is in place to ensure that the main strands of University strategy are reviewed annually and in a consistent manner. In particular, there is an annual residential meeting which is used to assess organisational performance against strategy.

The UMC receives reports setting out key performance and risk indicators and considers possible risk control issues brought to its attention by early warning mechanisms which are embedded within the operational units and reinforced by risk awareness training. Issues of concern, potential risks both University-wide and more localised are then formally reported by UMC to the governing body. UMC also receives reports from the Statutory Advisory Committee on Safety and Occupational Health, and the Audit Committee receives reports from Internal Audit, both of which include recommendations for improvement. The Audit Committee's role in this area is one of a high level review of the arrangements for internal control. The emphasis is on obtaining the relevant degree of assurance and not merely reporting by exception. Court keeps issues of control and risk under review and receives reports thereon from both the UMC and the Audit Committee. At its October 2007 meeting Court carried out the annual assessment for the year ended 31 July 2007 by considering documentation from the UMC, and taking account of events since 31 July 2006. Court is of the view that there is an ongoing process for identifying, evaluating and managing the University's significant risks that has been in place throughout the year ended 31 July 2007 and up to the date of the annual report and accounts.

The Court considers that the University has adequate resources to continue in operational existence for the foreseeable future.

The Court has previously considered its operating practices and has compared them with those advocated by the Committee of University Chairmen Guide for Members of Higher Education Governing Bodies in the UK (published in November 2004). The Court is satisfied that the University has a high level of compliance with this Guide and has adapted its practices to meet them as far as its Statutes so permit except that the University Court's current membership is 28 rather than 25. This was reviewed again in 2005 and the Court has reiterated that it does not wish to reduce its size any further at present. Court reviewed its effectiveness in session 2006/07, which has led to some adjustments to the formal presentation of business and to a more focused strategic approach to the governance of the University. Senate and other committees have also been reviewed and some significant changes are being made to the academic committee structures in order to provide a more effective and strategic approach to the academic business of the University.

The University Court has adopted a Code of Conduct for its members which is set out in the Handbook for Members of Court and maintains a register of interests of members of the Court.

**J F Livingston**  
**Convener of Court**  
**17 November 2007**

## the university court

Under the terms of the University Charter and Statutes, Court is the Governing Body of the University. It has adopted a Statement of Primary Responsibilities which is available on the following web site [www.strath.ac.uk/governance/](http://www.strath.ac.uk/governance/). The Statement of Primary Responsibilities specifies the Court's main responsibilities which cover the areas of staff and students; financial responsibilities; strategic responsibilities; controls; and monitoring performance and effectiveness.

The Court is required to present audited Financial Statements for each financial year. It is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the University and which enable it to ensure that the Financial Statements are prepared in accordance with the University's Charter, the Statement of Recommended Practice: Accounting for Further and Higher Education and other relevant accounting standards. In addition, within the terms and conditions of a Financial Memorandum agreed between the Scottish Funding Council and the Court of the University, the Court, through its designated office holder, is required to prepare Financial Statements for each financial year which give a true and fair view of the state of affairs of the University and of the surplus or deficit and cash flows for that year. The Principal is the University's Accounting Officer who is responsible for satisfying Court that there is compliance with the conditions of the Financial Memorandum.

With regard to the Financial Statements, the Court is required to ensure that:

- suitable accounting policies are selected and applied consistently;
- judgements and estimates that are made are reasonable and prudent;
- applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- the going concern basis is applied unless it is inappropriate to presume that the University will continue in operation.

The Court has taken reasonable steps to:

- ensure that funds from the Scottish Funding Council are used only for the purposes for which they have been given and in accordance with the Financial Memorandum with the Funding Council and any other conditions which the Funding Council may from time to time prescribe;
- ensure that there are appropriate financial and management controls in place to safeguard public funds and funds from other sources;
- safeguard the assets of the University and hence to take reasonable steps to prevent and detect fraud;
- secure the economic, efficient and effective management of the University's resources and expenditure.

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

- clear definitions of the responsibilities of, and the authority delegated to, heads of academic and administrative departments;
- a comprehensive medium and short-term planning process, supplemented by detailed annual income, expenditure, capital and cash flow budgets;
- regular reviews of academic performance and monthly reviews of financial results involving variance reporting and updates of forecast outturns;
- clearly defined and formalised requirements for approval and control of expenditure, with major investment decisions involving capital or revenue expenditure being subject to formal detailed appraisal;
- comprehensive Financial Regulations, detailing financial controls and procedures, approved by the Audit Committee and Court;
- a suitably qualified Internal Audit team whose annual programme is approved by the Audit Committee.

The Audit Committee, on behalf of Court has reviewed the effectiveness of the University's system of internal control. Any system of internal control can, however, only provide reasonable, but not absolute, assurance against material misstatement or loss.

# independent auditors' report

to the University Court

of the University of Strathclyde

We have audited the Group and University financial statements for the year ended 31 July 2007 which comprise the Consolidated Income and Expenditure Account, Statement of Consolidated Total Recognised Gains and Losses, Group and University Balance Sheets, Consolidated Cash Flow Statement, and the related notes 1 to 30. These financial statements have been prepared under the accounting policies set out therein.

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

## **Respective responsibilities of the University Court and Auditors**

The University Court is responsible for preparing the financial statements in accordance with the Statement of Recommended Practice: Accounting for Further and Higher Education and other applicable United Kingdom law and Accounting Standards (United Kingdom Generally Accepted Accounting Practice) as set out in the Statement of Responsibilities of the University Court.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Statement of Recommended Practice: Accounting for Further and Higher Education.

We also report to you if, in our opinion, if the University has not kept proper accounting records or if we have not received all the information and explanations we require for our audit.

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

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

## **Basis of audit opinion**

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

# independent auditors' report

to the University Court

of the University of Strathclyde continued

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

## Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of affairs of the Group as at 31 July 2007, and of the surplus of the Group's income over expenditure and the Group's cash flows for the year then ended and have been properly prepared in accordance with the Statement of Recommended Practice: Accounting for Further and Higher Education;
- funds from the Scottish Funding Council, grants and income for specific purposes and from other restricted funds administered by the University have, in all material respects, been applied only for the purposes for which they were received; and
- income has, in all material respects, been applied in accordance with the Further and Higher Education (Scotland) Act 1992 and, where appropriate, with the Financial Memorandum dated 1 January 2006 with the Scottish Funding Council.

Ernst & Young LLP  
Registered Auditor  
Glasgow  
19 November 2007

## income and expenditure account

for the year ended 31 July 2007

	Note	2007 £000	2006 £000
<b>Income</b>			
Funding Council grants	2	91,072	85,883
Tuition fees and education contracts	3	55,294	51,097
Research grants and contracts	4	32,110	29,398
Other income	5	20,438	20,910
Endowment and investment income	6	5,080	3,766
Total income		<u>203,994</u>	<u>191,054</u>
<b>Expenditure</b>			
Staff costs	7	121,716	112,597
Exceptional restructuring costs	10	578	-
Other operating expenses	8	62,931	61,593
Depreciation	12	10,444	9,352
Interest payable	9	881	829
Total expenditure	10	<u>196,550</u>	<u>184,371</u>
<b>Surplus on continuing operations after depreciation of tangible fixed assets at cost</b>		7,444	6,683
Gain on disposal of fixed assets	11	8,272	2,244
<b>Surplus on continuing operations after depreciation of tangible fixed assets at cost and before and after taxation</b>		<u>15,716</u>	<u>8,927</u>
Transfer from accumulated income within specific endowments		62	76
<b>Surplus for the year retained within reserves</b>	21	<u>15,778</u>	<u>9,003</u>

The consolidated income and expenditure of the University and its subsidiaries relate wholly to continuing operations.

There is no difference between the surplus on a historical cost basis and the surplus for the year presented above.

statement of consolidated total recognised

## **gains and losses**

for the year ended 31 July 2007

	Note	2007 £000	2006 £000
<b>Surplus on continuing operations after taxation</b>		15,716	8,927
Unrealised surplus on revaluation of fixed asset investments	13, 21	150	288
Appreciation of endowment asset investments	20	1,205	1,235
New endowments	20	572	20
<b>Total recognised gains relating to the year</b>		<u>17,643</u>	<u>10,470</u>
<b>Reconciliation</b>			
<b>Opening reserves and endowments</b>		126,277	115,807
<b>Total recognised gains and losses for the year</b>		17,643	10,470
<b>Closing reserves and endowments</b>		<u>143,920</u>	<u>126,277</u>

## balance sheet

as at 31 July 2007

	Note	Group		University	
		2007 £000	2006 £000	2007 £000	2006 £000
<b>Fixed assets</b>					
Tangible assets	12	152,333	148,878	152,333	148,878
Investments	13	6,503	5,918	6,503	5,918
		<u>158,836</u>	<u>154,796</u>	<u>158,836</u>	<u>154,796</u>
<b>Endowment assets</b>	14	22,477	20,762	22,477	20,762
<b>Current assets</b>					
Surplus assets for disposal		25	776	25	776
Stock		359	383	359	383
Debtors	15	11,275	10,471	11,279	10,475
Cash at bank and in hand		81,319	59,062	81,313	59,056
		<u>92,978</u>	<u>70,692</u>	<u>92,976</u>	<u>70,690</u>
<b>Creditors: amounts falling due within one year</b>	16	(42,378)	(36,912)	(42,376)	(36,910)
<b>Net current assets</b>		<u>50,600</u>	<u>33,780</u>	<u>50,600</u>	<u>33,780</u>
<b>Total assets less current liabilities</b>		<u>231,913</u>	<u>209,338</u>	<u>231,913</u>	<u>209,338</u>
<b>Creditors: amounts falling due after more than one year</b>	17	(14,304)	(15,301)	(14,304)	(15,301)
<b>Provisions for liabilities and charges</b>	18	(9,420)	(9,092)	(9,420)	(9,092)
<b>Net assets</b>		<u>208,189</u>	<u>184,945</u>	<u>208,189</u>	<u>184,945</u>



**balance sheet**

as at 31 July 2007 continued

		<b>Group</b>		<b>University</b>	
	<b>Note</b>	<b>2007</b>	<b>2006</b>	<b>2007</b>	<b>2006</b>
		<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>Deferred capital grants</b>	19	64,269	58,668	64,269	58,668
<b>Endowments</b>					
Specific	20	17,604	16,628	17,604	16,628
General	20	4,873	4,134	4,873	4,134
		<u>22,477</u>	<u>20,762</u>	<u>22,477</u>	<u>20,762</u>
<b>Reserves</b>					
Revaluation reserve	21	1,140	1,164	1,140	1,164
General reserves	21	120,303	104,351	120,303	104,351
Total reserves		<u>121,443</u>	<u>105,515</u>	<u>121,443</u>	<u>105,515</u>
		<u>208,189</u>	<u>184,945</u>	<u>208,189</u>	<u>184,945</u>

The Financial Statements were approved by the University Court on 17 November 2007, and signed on its behalf by:

**J F Livingston**  
Convener of Court

**T J Monaghan**  
Treasurer

**Professor A Hamnett**  
Principal and Vice-Chancellor

**cash flow statement**

for the year ended 31 July 2007

	Note	2007 £000	2006 £000
<b>Net cash inflow from operating activities</b>	24	<u>14,089</u>	<u>10,148</u>
<b>Returns on investments and servicing of finance</b>			
Income from endowments		879	771
Interest received and investment income		4,201	2,995
Interest paid		<u>(866)</u>	<u>(835)</u>
<b>Net cash inflow from returns on investments and servicing of finance</b>		<u>4,214</u>	<u>2,931</u>
<b>Capital expenditure</b>			
Endowment assets acquired and received		(3,436)	(5,126)
Receipts from the sale of endowment assets		4,300	5,520
Payments to acquire tangible assets		(13,994)	(16,384)
Deferred capital grants received		10,377	10,320
Receipts from sale of tangible fixed assets		8,606	5,284
Purchase of investments		(1,385)	(1,771)
Receipts from the sale of investments		<u>1,445</u>	<u>1,510</u>
<b>Net cash inflow/(outflow) from capital expenditure</b>		<u>5,913</u>	<u>(647)</u>
Cash inflow before financing		24,216	12,432
<b>Financing</b>			
Loan drawn down in year		30	-
Loan repayment in the year		(967)	(988)
<b>Increase in cash in the year</b>		<u>23,279</u>	<u>11,444</u>
<b>Reconciliation of net cash flow to movement in net funds</b>			
Increase in cash in the year		23,279	11,444
Cash inflow from new unsecured loan		(30)	-
Loan repayment in year		<u>967</u>	<u>988</u>
Change in net funds	25	24,216	12,432
Net funds at 1 August	25	46,732	34,300
Net funds at 31 July	25	<u>70,948</u>	<u>46,732</u>

## 1. Principal Accounting Policies

### **Basis of preparation**

The Financial Statements have been prepared in accordance with the Statement of Recommended Practice (SORP): Accounting for Further and Higher Education and in accordance with applicable Accounting Standards.

### **Basis of accounting**

The Financial Statements are prepared under the historical cost convention modified by the revaluation of endowment asset investments and certain fixed asset investments.

### **Basis of consolidation**

The consolidated Financial Statements consolidate the Financial Statements of the University and its subsidiary undertakings for the financial year to 31 July. In accordance with FRS2, the activities of the Students' Association have not been consolidated because the University does not control those activities. All Financial Statements are prepared to 31 July.

### **Recognition of income**

Income for tuition fees is recognised in the period for which it is received and includes all fees chargeable to students or their sponsors. The cost of any fees waived by the University is included as expenditure in note 8.

Income from donations, research grants, contracts and other services rendered is included to the extent of the related expenditure incurred during the year, together with any related contributions received towards overhead costs. All income from short-term deposits and endowments is credited to the income and expenditure account in the period in which it is earned. Income for specific endowments not expended in the year in accordance with the restrictions of the endowment is transferred from the income and expenditure account to specific endowments.

Recurrent grants from the Funding Council are recognised in the period in which they are receivable.

Non recurrent grants from the Funding Council or other bodies received in respect of the acquisition or construction of tangible fixed assets are recorded as deferred capital grants and are amortised over the expected useful lives of the assets.

Income from other non recurrent grants from the Funding Council is included to the extent of the related expenditure incurred during the year, together with any related contributions received towards overhead costs.

### **Pension schemes**

The University is a member of three defined benefit pension schemes, all of which require contributions to be made to separately administered funds. The schemes are externally funded and contracted out of the State Second Pension and provide benefits based on final pensionable salary.

The funds are valued regularly by professionally qualified actuaries, the rates of contributions payable being determined on the advice of the actuaries. Actuarial valuations of the Universities Superannuation Scheme and the Strathclyde Pension Fund are performed every three years using the Projected Unit Method. The notional fund of the Scottish Teachers Superannuation Scheme is revalued every five years by the Government actuary.

**1. Principal Accounting Policies** continued**Pension schemes** continued

The University is unable to identify its share of the underlying assets and liabilities of these schemes on a consistent and reasonable basis and, therefore, as required by FRS 17 'Retirement Benefits' accounts for the schemes as though they were defined contribution schemes. As a result, the amount charged to the Income and Expenditure account represents the contributions payable to the schemes in respect of the accounting period.

**Foreign currencies**

Transactions denominated in foreign currencies are recorded at the rate of exchange ruling at the date of transaction. Assets and liabilities denominated in foreign currencies are translated at the rates of exchange ruling at the end of the financial year, with all the resulting exchange differences being taken to the income and expenditure account in the year in which they arise.

**Land and buildings**

Land and buildings are stated at cost less depreciation and, where appropriate, any provisions for estimated losses on disposal.

Land which is held freehold is not depreciated as it is considered to have an indefinite useful life. Buildings are depreciated over their expected useful lives of up to 50 years. Alterations and additions to buildings, are depreciated over the expected useful life of the work carried out.

Finance costs which are directly attributed to the construction of land and buildings are capitalised as part of the cost of those assets.

A review for impairment of a fixed asset is carried out if events or changes in circumstances indicate that the carrying amount may not be recoverable.

Buildings under construction are accounted for at cost, based on the value of architects' certificates and other direct costs incurred to 31 July. The buildings are not depreciated until they are brought into use.

Buildings which are acquired with the aid of specific grants are capitalised and depreciated as above. The related grants are treated as deferred capital grants and released to the income and expenditure account over the expected useful lives of the buildings.

**Maintenance**

The cost of routine corrective maintenance is charged to the income and expenditure account in the period that it is incurred.

**Equipment**

Equipment, including personal computers and software, costing less than £10,000 per individual item or group of related items, is written off in the year of acquisition. All other equipment is capitalised.

Capitalised equipment is stated at cost and depreciated over its expected useful economic life, as follows:

General equipment	-	5 years
Equipment acquired for specific research projects	-	2 years

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

Where equipment is part of a capital project, it may be depreciated over periods of between five and ten years.

**Surplus assets for disposal**

Surplus assets for disposal are land and buildings which are no longer in use by the University and which the University is committed to sell and not replace. These assets are valued at the lower of carrying amount and net realisable value.

**Investments**

Fixed Asset Investments are those investments intended to be held for use on a continuing basis in the activities of the University. Fixed Asset Investments are included in the Balance Sheet at market value except for investments made by the University's Business Ventures Group which are held at the lower of cost and net realisable value.

Endowment Assets are those investments held for endowment funds where the income and/or capital of the funds require to be used for specific or general purposes of the University as determined by the terms of the endowment. Endowment Asset Investments are included in the Balance Sheet at market value.

**Stock**

Stocks for maintenance, catering, and central stationery are valued at the lower of cost and net realisable value. Departmental stocks are charged to the Income and Expenditure Account in the year of purchase.

**Provisions**

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

# financial statements

continued

## 1. Principal Accounting Policies continued

### Cash flows and liquid resources

Cash flows comprise increases or decreases in cash. 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.

Liquid resources include sums on short-term deposits with recognised banks and building societies and government securities.

## 2. Funding Council grants

	2007 £000	2006 £000
SFC Higher Education recurrent teaching grant	58,196	56,175
Funding for increased STSS contributions	191	254
SFC recurrent research grant	19,593	17,506
SFC non-recurrent research grant	3,688	2,743
Learning and Teaching Infrastructure Fund grants	299	74
Released from deferred capital grants	2,845	2,215
Other SFC grants	6,260	6,916
	<u>91,072</u>	<u>85,883</u>

## 3. Tuition fees and education contracts

UK and EU fees	24,886	22,150
Non EU fees	17,643	16,218
Non credit bearing course fees	9,220	8,970
Education contracts	3,186	3,382
Other contracts	359	377
	<u>55,294</u>	<u>51,097</u>

	<b>2007</b>	<b>2006</b>
	£000	£000
<b>4. Research grants and contracts</b>		
Research Councils	11,928	11,204
UK based charities	3,063	2,761
European Commission	2,890	3,143
Other grants and contracts	13,458	11,471
Released from deferred capital grants	771	819
	<u>32,110</u>	<u>29,398</u>
<b>5. Other income</b>		
Residences and catering	8,825	8,251
Other services rendered	3,882	4,321
Released from deferred capital grants	733	745
VAT recovered	671	573
Royalty income	916	1,289
Accommodation charges and rental income	307	338
Other departmental income	3,238	3,170
Donations and subventions	752	730
Other income	1,114	1,493
	<u>20,438</u>	<u>20,910</u>
<b>6. Endowment and investment income</b>		
Income from specific endowment asset investments	730	646
Income from general endowment asset investments	149	125
Interest receivable	3,996	2,814
Investment income	205	181
	<u>5,080</u>	<u>3,766</u>

# financial statements

continued

**7. Staff costs**

	<b>2007</b> £000	<b>2006</b> £000
Staff Costs:		
Wages and salaries	101,161	93,759
Social security costs	8,302	7,652
Other pension costs (Note 26)	12,253	11,186
	<u>121,716</u>	<u>112,597</u>
Average staff numbers by major category:	<b>2007</b> Number	<b>2006</b> Number
Academic and academic-related	2,020	1,933
Technical	275	295
Clerical	607	633
Other	701	713
	<u>3,603</u>	<u>3,574</u>
Remuneration, excluding employer's pension contributions, of the Principal and Vice-Chancellor was:	<b>2007</b> £000	<b>2006</b> £000
	<u>182</u>	<u>169</u>

Included within the figures are amounts in respect of benefits-in-kind. The University's contributions to USS are paid at the same rates as for other staff and amounted to £25,000 (2006 £23,000).

The number of staff, including senior postholders and the Principal, who received emoluments in the following ranges was:

	<b>2007</b>			<b>2006</b>		
	Senior	Other	Total	Senior	Other	Total
£70,001 - £80,000	-	45	45	1	35	36
£80,001 - £90,000	3	16	19	3	7	10
£90,001 - £100,000	2	5	7	1	5	6
£100,001 - £110,000	-	3	3	-	3	3
£110,001 - £120,000	-	1	1	1	1	2
£120,001 - £130,000	1	1	2	-	-	-
£140,001 - £150,000	1	-	1	-	1	1
£160,001 - £170,000	-	1	1	1	-	1
£170,001 - £180,000	1	-	1	-	-	-

The figures shown in the table above include fees earned in respect of work performed for external bodies.



**7. Staff costs** continued

Payments in respect of compensation for loss of office are provided in the Financial Statements in the year of termination of office. Aggregate compensation for loss of office of Higher Paid Staff comprised:

	<b>2007</b>	<b>2006</b>
	£000	£000
Compensation paid	32	22
Pension benefits	<u>261</u>	<u>172</u>
	<u>293</u>	<u>194</u>

**8. Other operating expenses**

Residences and catering	3,507	3,191
Courses and conferences	4,359	4,200
Consumable and laboratory expenditure	13,077	14,273
Books and periodicals	1,820	1,673
Fellowships, scholarships and prizes	1,548	1,619
Heat, light, water and power	4,814	3,177
Repairs and general maintenance	7,036	7,345
Rates, rents and insurance	2,253	2,277
Grants to University Students Association	1,280	1,198
Research grants and contracts	11,708	12,593
Other services rendered	1,769	1,541
External auditors' remuneration	60	58
External auditors' remuneration in respect of non-audit services	44	8
Other expenses	9,656	8,440
	<u>62,931</u>	<u>61,593</u>

**9. Interest payable**

Loans not wholly repayable within five years	<u>881</u>	<u>829</u>
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# financial statements

continued

## 10. Analysis of expenditure by activity

	Staff costs £000	Other operating expenses £000	Interest payable £000	Total £000
Academic departments	70,166	13,077	-	83,243
Academic services	9,640	4,209	-	13,849
Research grants and contracts	13,078	11,708	-	24,786
Administration and Central Services	13,382	5,953	-	19,335
Residences and catering	3,234	3,507	-	6,741
Premises	6,754	14,092	-	20,846
Other expenses	5,462	10,385	881	16,728
	<u>121,716</u>	<u>62,931</u>	<u>881</u>	<u>185,528</u>
Exceptional Restructuring Costs				578
Depreciation				10,444
Total per income and expenditure account				<u>196,550</u>

Exceptional restructuring costs of £578k (2006 £Nil) were incurred as a result of restructuring within the Strathclyde Business School.

The depreciation charge has been funded by:

Deferred capital grants released	4,776
General income	5,668
	<u>10,444</u>

## 11. Gain on disposal of fixed assets

	2007 £000	2006 £000
Gain on disposal of land and buildings	8,071	1,432
Option payment relating to disposal of land	-	200
Gain on disposal of fixed asset investments	201	612
	<u>8,272</u>	<u>2,244</u>

**12. Tangible fixed assets**

Group and University	Land and buildings		Equipment	Total
	Freehold	Long Leasehold		
	£000	£000	£000	£000
<b>Cost</b>				
At 1 August 2006	201,281	6,895	14,225	222,401
Additions	8,671	72	5,166	13,909
Disposals	-	-	(2,136)	(2,136)
Reclassification of surplus assets	(10)	-	-	(10)
At 31 July 2007	<u>209,942</u>	<u>6,967</u>	<u>17,255</u>	<u>234,164</u>
<b>Depreciation</b>				
At 1 August 2006	62,250	4,485	6,788	73,523
Charge for period	6,873	736	2,835	10,444
Disposals	-	-	(2,136)	(2,136)
At 31 July 2007	<u>69,123</u>	<u>5,221</u>	<u>7,487</u>	<u>81,831</u>
Net book value at 31 July 2007	<u>140,819</u>	<u>1,746</u>	<u>9,768</u>	<u>152,333</u>
Net book value at 31 July 2006	<u>139,031</u>	<u>2,410</u>	<u>7,437</u>	<u>148,878</u>

Buildings with a net book value of £92,884,000 and cost of £148,551,000 have been funded in part or in whole from Treasury sources. Should these particular buildings be sold, the University would have to surrender the relevant proceeds to the Treasury or use them in accordance with the Financial Memorandum with the Scottish Funding Council.

**13. Investments**

	Group and University	
	2007	2006
	£000	£000
At 1 August	5,918	5,433
Additions	1,385	1,771
Disposals	(1,170)	(1,284)
Appreciation on revaluation	150	288
Increase/(decrease) in cash balances	220	(290)
At 31 July	<u>6,503</u>	<u>5,918</u>

# financial statements

continued

## 13. Investments continued

Investments are stated at market value apart from investments made by the Business Ventures Group (BVG) and the Synergy Fund which are stated at the lower of cost and net realisable value. Of the total investments reported £5,481,000 (2006 £5,145,000) relates to listed investments. BVG investments amounted to £348,000 (2006 £319,000) and Synergy investments amounted to £193,500 (2006 £193,500). BVG was set up by the University in 1984 to oversee and provide support for projects emanating from the University's own research activities which are considered to merit commercial development.

The University's principal subsidiary undertakings are:

	<u>% Holding</u>	<u>Main Activity</u>	<u>Year End</u>
University of Strathclyde Properties Limited	100	Property Company	31/7/07
Haleno Limited	100	Property Company	31/7/07
SGBS Limited	100	Property Company	31/7/07

## 14. Endowment assets

	<b>Group and University</b>	
	<b>2007</b>	<b>2006</b>
	£000	£000
At 1 August	20,762	19,583
Additions	4,008	5,146
Disposals	(4,300)	(5,520)
Appreciation on disposals and revaluation	1,205	1,235
Increase in cash balances	802	318
At 31 July	<u>22,477</u>	<u>20,762</u>
<b>Represented by:</b>		
Fixed interest investments (listed)	3,086	3,422
Equities (listed)	14,778	13,544
Bank deposits	229	214
Held within cash and bank	4,384	3,582
Total endowment assets	<u>22,477</u>	<u>20,762</u>
Fixed interest investments and equities at cost	<u>14,202</u>	<u>13,767</u>

notes to the

# financial statements

continued

**15. Debtors**

	Group		University	
	2007 £000	2006 £000	2007 £000	2006 £000
Debtors	9,951	8,980	9,951	8,980
Prepayments and accrued income	1,324	1,491	1,328	1,495
	<u>11,275</u>	<u>10,471</u>	<u>11,279</u>	<u>10,475</u>

**16. Creditors: amounts falling due within one year**

	Group		University	
	2007 £000	2006 £000	2007 £000	2006 £000
Loans	880	820	880	820
Creditors	13,134	10,598	13,132	10,596
Social security and other taxation payable	2,783	2,565	2,783	2,565
Accruals	7,262	7,457	7,262	7,457
Deferred income	18,319	15,472	18,319	15,472
	<u>42,378</u>	<u>36,912</u>	<u>42,376</u>	<u>36,910</u>

# financial statements

continued

## 17. Creditors: amounts falling due after more than one year

	Group and University	
	2007 £000	2006 £000
Unsecured loans - Bank	13,530	14,410
- Synergy Fund	774	891
	<u>14,304</u>	<u>15,301</u>
The loans are repayable by instalments as follows:		
Between one and two years	950	880
Between two and five years	3,300	3,070
In five years or more	10,054	11,351
	<u>14,304</u>	<u>15,301</u>

The unsecured bank loan of £13,530,000 (2006 £14,410,000) is repayable by instalments between 1 August 2007 and 31 July 2018 and interest is charged at 0.5% above the Base Rate. The University has recurrent loans totalling £774,000 (2006 £891,000) from the Synergy Fund, which are repayable in five years or more. The dates and quantum of repayments are dependent upon the timing and amounts of returns from intellectual property rights generated by the projects funded by these loans.

## 18. Provisions for liabilities and charges

	Group and University			
	Pensions £000	Other £000	2007 Total £000	2006 Total £000
At 1 August 2006	8,930	162	9,092	10,029
Expenditure in the year	(1,119)	-	(1,119)	(1,568)
Additional provision required in year	825	-	825	513
Revaluation adjustment	622	-	622	118
At 31 July 2007	<u>9,258</u>	<u>162</u>	<u>9,420</u>	<u>9,092</u>

### Pensions

The University has an obligation in respect of former employees who have retired and for whom an enhanced pension has been provided. This liability is assessed by independent actuarial valuation and continues throughout the retirement period. The principal assumptions are a discount rate of 5.90% (2006 5.25%) and pension increases of 3.20% (2006 3.09%).

### Other

Over a number of years the University has made provision to meet the necessary costs of decommissioning at the Scottish Universities Research Reactor Centre. It is expected that expenditure should be fully incurred by November 2008.

**19. Deferred capital grants**

<b>Group and University</b>	<b>Funding Council £000</b>	<b>Other grants and benefactions £000</b>	<b>Total £000</b>
At 1 August 2006			
Buildings	33,439	19,302	52,741
Equipment	5,627	300	5,927
<b>Total</b>	<b><u>39,066</u></b>	<b><u>19,602</u></b>	<b><u>58,668</u></b>
Cash Receivable			
Buildings	7,566	18	7,584
Equipment	1,852	941	2,793
<b>Total</b>	<b><u>9,418</u></b>	<b><u>959</u></b>	<b><u>10,377</u></b>
Released to income and expenditure			
Buildings	1,954	733	2,687
Equipment	891	771	1,662
Buildings Disposals	53	374	427
<b>Total</b>	<b><u>2,898</u></b>	<b><u>1,878</u></b>	<b><u>4,776</u></b>
At 31 July 2007			
Buildings	38,998	18,213	57,211
Equipment	6,588	470	7,058
<b>Total</b>	<b><u>45,586</u></b>	<b><u>18,683</u></b>	<b><u>64,269</u></b>

# financial statements

continued

**20. Endowments**

<b>Group and University</b>	<b>Specific £000</b>	<b>General £000</b>	<b>Total £000</b>
At 1 August 2006	16,628	4,134	20,762
Additions	202	370	572
Appreciation of endowment asset investments	836	369	1,205
Income for year	730	149	879
Expenditure	(792)	(149)	(941)
At 31 July 2007	<u>17,604</u>	<u>4,873</u>	<u>22,477</u>
Representing:			
Fellowships and scholarships funds	3,820	1,346	5,166
Prize funds	2,081	-	2,081
Chair and lectureships funds	3,751	-	3,751
Other funds	7,952	3,527	11,479
	<u>17,604</u>	<u>4,873</u>	<u>22,477</u>

The aggregate accumulated unspent income held within specific endowments at 31 July 2007 was £2,406,000 (2006 £2,487,000).

**21. Reserves**

<b>Group and University</b>	<b>General Reserve £000</b>	<b>Revaluation Reserve £000</b>	<b>Total £000</b>
At 1 August 2006	104,351	1,164	105,515
Surplus retained for the year	15,778	-	15,778
Revaluation	-	150	150
Realised revaluation surplus on sale of investments	174	(174)	-
At 31 July 2007	<u>120,303</u>	<u>1,140</u>	<u>121,443</u>



**22. Capital commitments****Group and University**

	<b>2007</b>	<b>2006</b>
	£000	£000

Commitments contracted at 31 July	<u>1,978</u>	<u>3,723</u>
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The University has attracted £940,000, (2006 £1,784,000) of funding from external sources towards projects which are included in the above commitments.

**23. Contingent liabilities**

The University had no contingent liabilities at 31 July 2007.

**24. Reconciliation of operating surplus to net cash flow from operating activities**

	<b>2007</b>	<b>2006</b>
	£000	£000

Surplus before taxation	15,716	8,927
Depreciation	10,444	9,352
Deferred capital grants released to income	(4,349)	(3,779)
Investment income	(5,080)	(3,766)
Net gain on disposal of tangible fixed assets	(8,272)	(2,244)
Gain on sale of investments	(275)	(226)
Interest payable	881	829
Decrease/(increase) in stocks	24	(66)
(Increase)/decrease in debtors	(804)	747
Increase in creditors	5,476	1,311
Increase/(decrease) in provisions	328	(937)
Net cash inflow from operating activities	<u>14,089</u>	<u>10,148</u>

**25. Analysis of changes in net funds**

	<b>At 1/8/06</b>	<b>Cash flow</b>	<b>Other changes</b>	<b>At 31/7/07</b>
	£000	£000	£000	£000
Investments	209	220	-	429
Endowment assets	3,582	802	-	4,384
Cash in hand and in bank	59,062	22,257	-	81,319
	<u>62,853</u>	<u>23,279</u>	<u>-</u>	<u>86,132</u>
Debt due within one year	(820)	820	(880)	(880)
Debt due after one year	(15,301)	117	880	(14,304)
	<u>46,732</u>	<u>24,216</u>	<u>-</u>	<u>70,948</u>

## 26. Pension schemes

The University participates in three defined benefit schemes.

### *Universities Superannuation Scheme*

The University participates in the Universities Superannuation Scheme (USS), a defined benefit scheme which is externally funded and contracted out of the State Second Pension (S2P). The assets of the scheme are held in a separate fund administered by the trustee, Universities Superannuation Scheme Limited. The University is unable to identify its share of the underlying assets and liabilities of the scheme on a reasonable and consistent basis and, therefore, as required by FRS 17 'Retirement Benefits', accounts for the scheme as if it were a defined contribution scheme. As a result the amount charged to the income and expenditure account represents the contributions payable in respect of the accounting period.

The latest actuarial valuation of the scheme was at 31 March 2005. The valuation was carried out using the projected unit method. The assumptions which have the most significant effect on the result of the valuation are those relating to the rate of return on investments (i.e. the valuation rate of interest), the rates of increase in salary and pensions and the assumed rates of mortality. In relation to the past service liabilities the financial assumptions were derived from market yields prevailing at the valuation date. It was assumed that the valuation rate of interest would be 4.5% per annum, salary increases would be 3.9% per annum (plus an additional allowance for increases in salaries due to age and promotion and a further amount of £800M of liabilities to reflect recent experience) and pensions would increase by 2.9% per annum. In relation to the future service liabilities it was assumed that the valuation rate of interest would be 6.2% per annum, including an additional investment return assumption of 1.7% per annum, salary increases would be 3.9% per annum (also plus an allowance for increases in salaries due to age and promotion) and pensions would increase by 2.9% per annum.

Standard mortality tables were used as follows:

Pre-retirement mortality	PA92 rated down 3 years
Post-retirement mortality	PA92 (c=2020) for all retired and non-retired members

Use of these mortality tables reasonably reflects the actual USS experience but also provides an element of conservatism to allow for further small improvements in mortality rates. The assumed life expectations on retirement at age 65 are:

Males	19.8 years
Females	22.8 years

At the valuation date, the market value of the assets of the scheme was £21,740M and the value of the past service liabilities was £28,308M leaving a deficit of £6,568M. The assets therefore were sufficient to cover 77% of the benefits which had accrued to members after allowing for expected future increases in earnings.

The actuary also valued the scheme on a number of other bases as at the valuation date. Using the Minimum Funding Requirement prescribed assumptions introduced by the Pensions Act 1995, the scheme was 126% funded at that date; under the Pension Protection Fund regulations introduced by the Pensions Act 2004 it was 110% funded; on a buy-out basis (ie assuming the Scheme had discontinued on the valuation date) the assets would have been approximately 74% of the amount necessary to secure all the USS benefits with an insurance company; and using

**26. Pension schemes continued**

the FRS17 formula as if USS was a single employer scheme, the actuary estimated that the funding level would have been approximately 90%.

Since 31 March 2005 the financial security of the scheme has improved and the actuary has estimated that the funding level has increased from 77% at 31 March 2005 to 91% at 31 March 2007. This improvement in the scheme's financial security is due primarily to the investment return on the scheme's assets since 31 March 2005 being higher than allowed for in the funding assumptions. On the FRS17 basis, the actuary estimated that the funding level at 31 March 2007 was above 109% and on a buy-out basis was approximately 84%.

The institution contribution rate required for future service benefits alone at the date of valuation was 14.3% of pensionable salaries but the trustee company, on the advice of the actuary, decided to maintain the institution contribution rate at 14% of pensionable salaries.

Surpluses or deficits which arise at future valuations may impact on the institution's future contribution commitment. USS is a "last man standing" scheme so that in the event of the insolvency of any of the participating employers in USS, the amount of any pension funding shortfall (which cannot otherwise be recovered) in respect of that employer will be spread across the remaining participant employers and reflected in the next actuarial valuation of the scheme.

The next formal triennial actuarial valuation is due as at 31 March 2008. The contribution rate will be reviewed as part of each valuation.

The total pension cost for the institution was £9,329,000 (2006 £8,470,000). This includes £789,000 (2006 £734,000) outstanding contributions at the balance sheet date. The contribution rate payable by the institution was 14% of pensionable salaries.

***Strathclyde Pension Fund***

The Strathclyde Pension Fund provides benefits based on final pensionable salary for employees of local government and some other institutions. It is not possible to identify each institution's share of the underlying assets and liabilities of the scheme and hence contributions to the scheme are accounted for as if it were a defined contribution scheme. The cost recognised within the surplus for the year in the income and expenditure account is equal to the contributions payable in the year.

The assets of the Fund are held in a separately administered fund and the latest actuarial valuation of the Fund was at 31 March 2005. The assumptions which have the most significant effect on the results of the valuation are those relating to the returns on investments inflation, rates of mortality, early retirements, staff turnover, and the rates of increase in salaries and pensions. For the valuation at 31 March 2005, it was assumed that the overall anticipated long term return from equities would be 6.7%, 5.7% from property and 5.0% from gilts and bonds. It was further assumed salary scale increases would be 1.5% per annum in real terms and that pensions would increase by 0% per annum in real terms.

At the date of the 2005 actuarial valuation, which was carried out using the projected unit method, the market value of the assets of the Fund was £6,990M. and the actuarial value of assets was sufficient to cover 97% of the benefits which had accrued to members after allowing for expected future increases in earnings. A funding level of less than 100% indicates a deficit and the past service deficit identified at 31 March 2006 is £230M. Assuming that a funding level of 100% is to be targeted an increased employer's contribution rate is required. This increase will be phased in over three years.

**26. Pension schemes** continued

The employer's contribution rate payable by the University was 265% of the employee's rate until 31 March 2007 and 280% thereafter. Pension costs in respect of 2007 were £2,497,000 (2006 £2,290,000), of which £208,000 (2006 £201,000) was outstanding at the balance sheet date.

***Scottish Teachers Superannuation Scheme***

The Scottish Teachers Superannuation Scheme (STSS) provides benefits based on final pensionable salary for Scottish teachers. The fund is administered by the Scottish Public Pensions Agency.

The level of contribution paid by employing institutions was 12.5% of members' salaries until 31 March 2006 and 13.5% thereafter. The pension costs to the University in respect of STSS for 2007 were £427,000 (2006 £426,000), of which £37,000 (2005 £35,000) was outstanding at the balance sheet date. This is the full and total extent of the University's liability in respect of this scheme

***Pension provision***

The pension provision is made to cover pensions due to staff who have taken early retirement from the University. The provision made to date is £9,420,000 (2006 £8,930,000).

**27. Taxation status**

The University is an exempt charity (SCO15263) within the meaning of Section 506(1) of the Income & Corporation Taxes Act 1988. Accordingly, the University is exempt from taxation in respect of income or capital gains received within categories covered by Section 505 of the Taxes Act 1988 or Section 256 of the Taxation of Chargeable Gains Act 1992 to the extent that such income or gains are applied to exclusively charitable purposes. The University receives no exemption in respect of Value Added Tax.

**28. Related party transactions**

A review of the Register of Interests of Court Members was made and no material interests were identified.

Membership of Business Ventures Group companies and other associated companies was reviewed and there is no significant University representation in these companies. No material payments have been made to these companies.

**29. Post balance sheet events**

No major events requiring disclosure have taken place after the balance sheet date.

**30. HE bursaries and other student support funds**

	2007 HE Childcare £000	2007 HE Hardship £000	2007 Total £000	2006 Total £000
Balance brought forward	-	57	57	17
Allocation received in the year	244	868	1,112	1,074
Expenditure	(237)	(910)	(1,147)	(1,034)
Repaid to Funding Council as clawback	-	-	-	-
Virements	-	-	-	-
Balance carried forward	<u>7</u>	<u>15</u>	<u>22</u>	<u>57</u>
Repayable to Funding Council as clawback	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Retained by University for students	<u>7</u>	<u>15</u>	<u>22</u>	<u>57</u>

Funding Council grants are available solely for students. The University acts only as paying agent. The grants and related disbursements are therefore excluded from the Income and Expenditure Account.

### **Court Membership 2006/07**

#### Convener of Court

Dr A S Hunter

#### Ex Officio

Principal and Vice-Chancellor  
Professor A Hamnett

Vice-Principal Professor J Love

#### Local Government

Councillor Dr M Green (until May 2007)

#### Convocation

Mr J Fergus

Deputy Convener (Estates), Mr J F Livingston

Deputy Convener (Staff), Dr G R Wilson

Mr M Wishart

#### Senate

Mr P Goldfinch

Professor G Hogg

Dr P MacKenzie

Dr A McLaren

Professor M Pacione

Professor A Paterson

#### Graduates Association

Dr R M Harley

#### Hon President of the Students Association

Mr M Strachan

#### President of the Students Association

Mr C Moore

#### Co-opted by Court (Lay Members)

Mrs E J Currie

Mr D Gray

Dr P Hughes

Dr A S Hunter (Convener of Court)

Mr R J A Hunter

Ms F McMenemy

Mr T J Monaghan (Vice-Convener of Court and Treasurer)

Mr B Rennick

Mrs P Ritchie

Dr C Vance

#### Non-Teaching Staff

Ms M McGee

Ms K Morrison

### **Membership of Principal Committees of Court**

Convener of Court Membership Group and Remuneration Committee. Member of Estates Strategy Committee

Convener of University Management Committee, Member of Estates Strategy Committee, Staff Committee, Business Ventures Group and Court Membership Group  
Member of University Management Committee and Court Membership Group

Convener of Estates Strategy Committee, Member of Court Membership Group and Remuneration Committee  
Convener of Staff Committee, Member of Court Membership Group and Remuneration Committee  
Convener of Audit Committee and Member of Remuneration Committee

Member of Audit Committee

Member of Audit Committee

See above

Member of Business Ventures Group

Member of Staff Committee

Member of Estates Strategy Committee, Remuneration Committee, Court Membership Group and Business Ventures Group

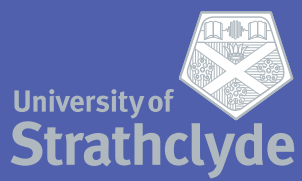
Member of Estates Strategy Committee

Member of Audit Committee

Convener of Business Ventures Group

The following individuals were not members of Court during the financial year to 31 July 2007 but were members of Court on the date the Financial Statements were approved: Mr R Crawford, Bailie G Matheson, Dr C Tedford, Dr D Grierson, Mr M Ross, Mr G Singh, Ms L Whiteford, Mr D Dunbar, Ms K Reid.





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