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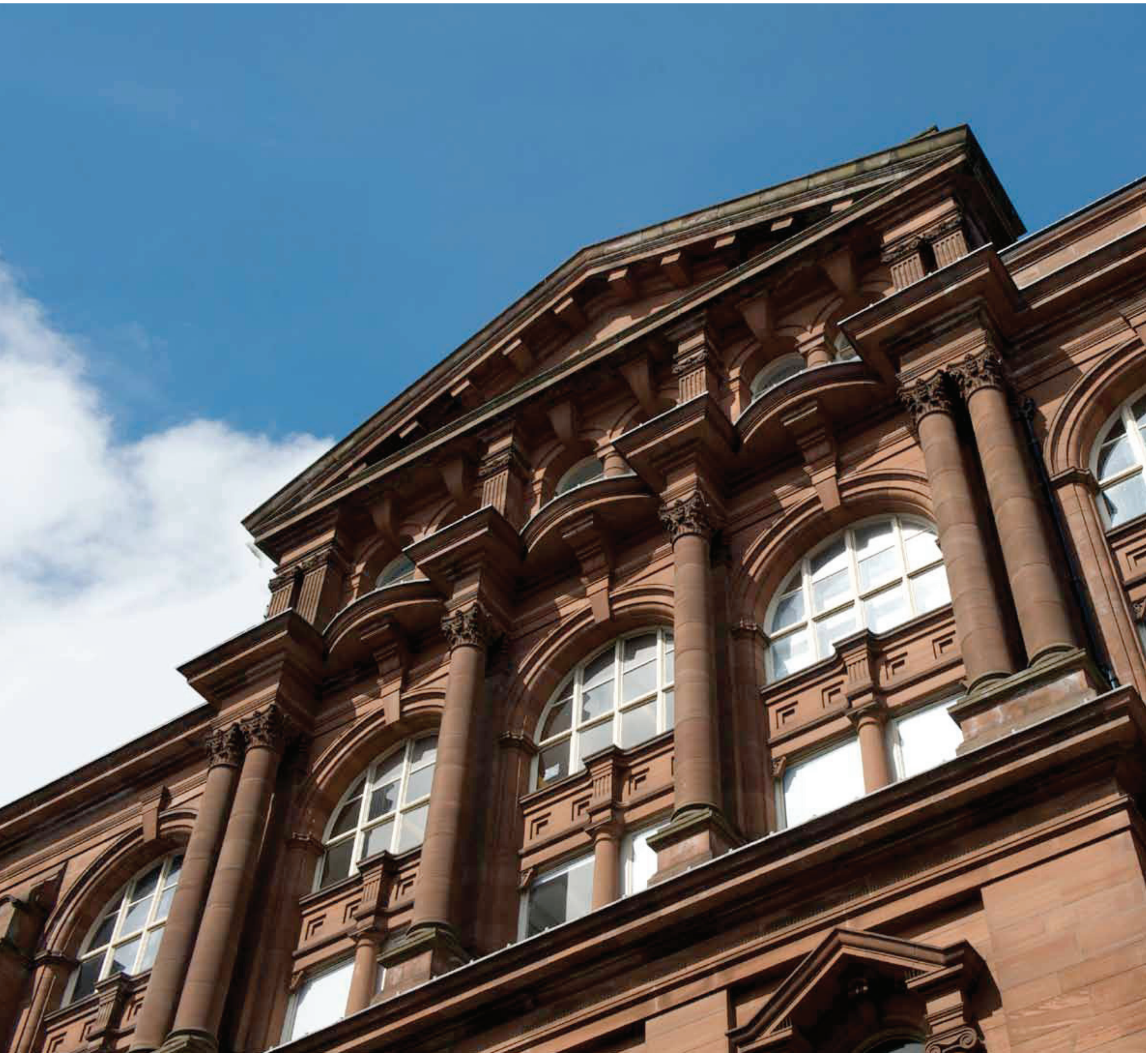
University of Strathclyde Glasgow

Report & Financial Statements 2011



officers of the university

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

Principal and Vice-Chancellor
Professor James McDonald FREng FRSE FIET FInstP

Convener of Court
J Fraser Livingston DUniv FRICS

Vice-Principal
Professor Kenneth Miller LLB LLM PhD

Chief Financial Officer
David Coyle MA FCMA

Chief Operating Officer
Hugh Hall MBA CPFA

contents

principal's statement

The University of Strathclyde is recognised for its pursuit of academic excellence with impact – impact for our students, society at large and for the benefit of our economy. This approach is as relevant now in the 21st century as it was when we were founded in 1796.

Our original founding objective of establishing the University as "A Place of Useful Learning" remains a vibrant driver in all that we do. I can say without contradiction that Strathclyde today is the embodiment of that philosophy. This is a place where things get done.

We deliver high quality, international, research in partnership with industry and the public sector to solve problems we face today. We provide a learning environment and the quality of teaching that allows our students to grow personally as well as in their knowledge and understanding. Our graduates leave here with skills prized in the workplace.

Our strategy is to build upon our position as Scotland's Leading International Technological University to have an increasingly significant role on the global academic stage. Strathclyde is a distinctive place of learning in a diverse higher education sector - and we are uniquely placed to fill this role.

We take a broad perspective on education research and knowledge exchange by reinforcing strong academic disciplinary strengths while facilitating multi-disciplinary collaborations. At Strathclyde, scientists and engineers work alongside leading academics in business, the humanities and social sciences. We do not just invent and develop technologies; we help society understand how they can be used, and how they impact upon it.

On collaboration, we work with industry as full partners, dealing with "grand challenges" in energy, life sciences, health technologies, advanced engineering, manufacturing, cutting edge physical sciences and we translate those challenges into opportunities. We have close relationships with government, national, regional and local; with the professions – including law, education, and social services; and with research councils, charities and foundations who are investing in the acquisition of knowledge capable of transforming lives.

Innovation and a commitment to excellence define our approach to teaching and research and represent our attitude of mind. They are part of our DNA.

The sector is going through enormous change. International competition is intensifying, funders are becoming more and more demanding, and the economic climate has made it more important than ever to focus on income generation and expenditure reduction. Strathclyde thrives on change, and has responded positively to these challenges. New income streams have been identified and costs have been reduced.

This report gives a detailed picture of our activities and performance, but I would like to point to two items in particular. Research and contract income increased by almost 10 per cent in the year reflecting, in part, our investment in the Advance Forming Research Centre which opened in 2010. Its success provides significant encouragement for our forthcoming "step change" investment in the Technology and Innovation Centre which is built on the same principle of shoulder-to-shoulder working with industry, the production of high quality graduates and post graduates and the translation of world-class research into economic value.

On the expenditure side, our overall salary costs decreased by more than £6 million as a result of our Early Retirement and Voluntary Severance Scheme. The scale of this scheme was a major and well-managed undertaking. It will continue to yield benefits for the University's financial position in the years ahead, providing much needed room for investment in strategic priorities.

The University remains on target to deliver its £350 million investment in the estate, including the creation of a single campus with the consolidation of Humanities and Social Sciences on the John Anderson site. In this area, the opening of the Strathclyde Institute of Pharmacy and Biomedical Sciences was a highlight of the year. For our £36 million investment, we now have a world-class facility for research into new drugs and their delivery through the pharmaceutical industry.

Looking forward, 2011/12 promises to bring its own challenges with a reduction of £7.5 million in recurrent funding from the Scottish Funding Council. The introduction of fees for students from the rest of the United Kingdom will also have an impact on the sector. There is increasing competition too for international students, and for research and other income from the private sector. The continued harsh economic climate does not help.

But Strathclyde is well placed to meet all of these challenges. We have a strategy which is already paying dividends and which is exciting our external partners – the £90million loan agreement with the European Investment Bank agreed this year is evidence of that. And we have the high calibre people we need to deliver.

Above all, we have an academic community at Strathclyde – staff and students drawn from Scotland and from around the world – who infuse this place with energy and enthusiasm, and embody the vision of this unique institution as "A Place of Useful Learning".

Professor Jim McDonald
Principal and Vice-Chancellor
24 November 2011

financial review

Financial summary

	2011 £M	2010 £M
Summary		
Income	230.0	230.7
Expenditure before exceptional items	(222.4)	(230.1)
Surplus before exceptional items	7.6	0.6
Exceptional restructuring costs	(2.8)	(10.6)
Gains on disposal of fixed assets	1.0	-
Transfer from endowment funds	0.2	-
Surplus/(deficit) for the year	6.0	(10.0)
Cash and borrowings		
Cash and short term investments	90.5	84.9
Borrowings	(11.1)	(12.9)
	79.4	72.0
Capital expenditure	18.4	40.4

Overview

The Financial Statements for the year ended 31 July 2011, which have been approved by Court, represent the consolidated results of the University and its subsidiaries (the Group).

Against the prospect of forthcoming reductions in public expenditure in 2011/12, the University has delivered a strong financial performance in 2010/11.

In 2010/11, the University generated an overall surplus of £6.0 million. Some £7.6 million was generated from operations and a further £1.0 million of gains on disposal of fixed asset investments were realised. The University incurred £2.8 million on staff restructuring.

This better than forecast outturn has been achieved by the generation of new income streams, particularly non-governmental income and by management of salary and other costs.

At the year end, the University's cash balances totalled £90.5 million. At a time of considerable uncertainty, the University is well placed in terms of financial strength to deal with the challenges ahead.

Income

Growth in income from non-EU tuition fees and research grants and contracts has ensured that, despite significant reductions in grant funding from the Scottish Funding Council and the Scottish Government, income in 2010/11 was in line with the previous year.

SFC grants decreased by 3.3% to £94.5 million, most notably as a result of a reduction of £3.0 million in Scottish Government funding for Initial Teacher Education. SFC grants now represent 41.1% of total income compared to 42.4% in 2009/10.

Tuition fees decreased by £2.0 million (2.7%) to £70.7 million. Fees from non-EU students have risen by 7.1% to £27.7 million reflecting continued expansion of overseas student numbers, particularly in Engineering and Business programmes. However, other categories of tuition fee income have reduced. Most notably, Scottish Government income for the National Centre for Prosthetics & Orthotics has reduced by £1.2 million and income from non-credit bearing courses is £1.8 million lower.

Research Grant and Contract income has increased by 9.7% to £40.2 million. In addition to successfully attracting new grants and contracts from the European Commission (£1.1 million) and Scottish/UK Government departments (£1.0 million), the University has generated £2.5 million of additional income from UK Industry and Commerce. Some £1.9 million of this increase is attributable to the research programme at the Advance Forming Research Centre facility at Inchinnan, which opened in 2010.

Expenditure

Overall salary costs decreased by £6.3 million. Staff leaving during 2010 and 2011 by means of early retirement/voluntary severance resulted in a reduction in the salary costs of £9.0 million in 2010/11. This was offset in part by an increase in expenditure on research contract staff and investment in strategic staffing appointments.

Other operating expenses decreased by £6.1 million to £70.6 million as expenditure was constrained in light of the uncertain financial landscape for public sector funding.

Depreciation increased by £4.6 million to £19.2 million as a result of ongoing investment in capital projects.

Capital programme

In December 2009 the University's governing body approved the University's £350 million investment plan to develop a modern and environmentally sustainable campus. The creation of four academic quarters – Engineering, Business, Science and Humanities and Social Science will enable staff to pursue a more coordinated and multidisciplinary approach to teaching and research.

The Strathclyde Institute of Pharmacy and Biomedical Sciences (SIPBS) represents an investment of £36.0 million to help further world class research in drug discovery and development. The building opened in early 2010/11 and some £3.3 million was expended during the year on completion works and creating links to adjacent buildings.

The University's plans for a world-leading research and technology centre for Glasgow have progressed during 2010/11. The £89.0 million Technology and Innovation Centre (TIC) at Strathclyde is our most ambitious campus development for research. It will bring together 850 academics, researchers and project managers from the University and its industrial partners to find solutions to challenges which are central to international impact and economic growth. Completion of this building is scheduled for early 2014 and initial expenditure of £1.0 million was incurred during the year.

The University plans to relocate those staff currently based on its Jordanhill Campus to its John Anderson Campus in the heart of Glasgow City Centre in summer 2012. Investment in buildings on the John Anderson Campus to facilitate this move has continued during 2010/11.

Net funds and cash flow

At 31 July 2011 net funds totalled £84.6 million. Some £9.2 million of cash was generated from operations. Further details on cash flow movements are given in Notes 23 to 29 of the Financial Statements.

Investment performance

The University's investment portfolio includes the investment of endowment funds shown in Note 20 and a general portfolio of investments that are intended to be held for use on a continuing basis in the activities of the University. The investment portfolios are all managed by professional fund managers under discretionary management arrangements. With the exception of the portfolio of endowment investments transferred from the University of Strathclyde Foundation in 2001, which are managed by Tilney Investment Management, the University's portfolios are managed by Newton Investment Management. The performance of the fund managers is reviewed annually by reference to agreed benchmarks.

The valuations of fixed asset investments and endowment assets rose by £3.2 million during the year, partly as a result of the ongoing revival of global equity markets prior to 31 July. Since August 2011, asset values have been adversely impacted by the volatility in financial markets.

During the year, the University received £0.8 million of new endowments.

Treasury management

The University actively manages its cash balances according to the Treasury Management Code of Practice approved by Court. Funds are placed with approved counter-parties up to the maximum limit specified for each category of organisation. Credit ratings of approved counter-parties and deposit limits are reviewed regularly. Funds are deposited in a variety of Treasury accounts, ranging from overnight to six month deposits.

The University has a facility to deposit surplus cash, up to the value of the long term unsecured bank loan, on a back-to-back basis.

The University currently has relatively low levels of borrowing. Court considers any future borrowing requirements during the annual planning process when rolling three year forecasts are prepared. These reflect the anticipated cash position of the University taking account of anticipated operating performance and planned developments within the Estates Strategy.

During the year, the University's ambitious plans for investment in its campus took a significant step forward with the signing of a loan agreement with the European Investment Bank (£90.0 million).

The loan will help to fund the Technology and Innovation Centre together with refurbishing a number of key campus locations.

Risks and uncertainties

The University has a University-wide risk management process as detailed in the Corporate Governance Statement. The following are the principal risks that Court believes could materially affect the University, its reputation, revenues, liquidity and capital resources. The nature of risk is such that other risks may arise, or risks not currently considered material may become so in future.

Delivery of the University's Strategy is underpinned by a twin track approach to securing a sustainable financial future, which is based on the generation of significant new income streams, particularly non-governmental income, and maximising value for money from our operations.

The most significant risk faced by the University is that of a reduction in income from key sources, especially the Scottish Funding Council, arising from an overall reduction in public sector funding. The University undertakes robust scenario planning to anticipate and plan for all possible financial circumstances and engages proactively with external partners, potential partners and funders.

Future funding for research is dependent upon the University's performance in the forthcoming Research Excellence Framework. Targeted investments and ongoing monitoring of performance will contribute to the management of this risk.

Strategic investment in our students, staff, partnerships and infrastructure is key to the University securing a sustainable financial future. It is imperative that major investments are managed effectively and produce the expected outcomes.

Key to the expansion of our student base is ongoing development of a competitive, high quality academic portfolio that is attractive to students and other stakeholders.

Other policies

Staff and students with disabilities

The University has a policy for promoting opportunities for staff and students with disabilities. This covers recruitment, appraisal and training opportunities, support, awareness training for staff, implementation and monitoring, and a complaints procedure. The University employs a Disability Manager and Diversity Specialists 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.

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. At the year end, the University had trade creditors outstanding of £6.9 million. Given that the University paid a total of £82.7 million to trade creditors during the year, the amount outstanding at the year end represents 31 days (2009/10 21 days). During the year no interest was paid in relation to the Late Payment of Commercial Debts (Interest) Act, 1998.

Looking to the future

2011/12 will be a very challenging year for the University as it adapts to a £7.5 million reduction in recurrent funding from the Scottish Funding Council.

The University welcomes the Scottish Government's commitment to Higher Education in its recent announcement of its 2012/13 Budget and planned allocations to 2014/15 which will reverse the 2011/12 cuts in cash terms. Inflationary pressures on the cost base will mean that constraints on expenditure will continue to be necessary.

J S Perry	**D Coyle**
Treasurer	**Chief Financial Officer**
24 November 2011	**24 November 2011**

governance & internal control

Introduction

The University is committed to exhibiting best practice in all aspects of corporate governance. This summary describes the manner in which the University has complied with and applied the principles set out in the UK Corporate Governance Code issued by the Financial Reporting Council (FRC) in June 2010.

Role of Court and general outline of corporate governance

Under the terms of the University Charter and Statutes, Court is the Governing Body of the University and is responsible for overseeing the management and administration of the whole of the revenue and property of the University as well as academic-related matters, which are primarily devolved to Senate and its attendant committees and structures. 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.

Court has a majority of lay members and includes members of academic staff, non-teaching staff and a student member. 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.

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 strategic meeting which is used to assess organisational performance against strategy.

In 2010/11 Court met six times. Much of its detailed work is initially handled by several committees, including a Staff Committee, a Remuneration Committee, a Court Business Group, a Court Membership Group, an Audit Committee and an Estates Committee. All of these committees are formally constituted, with terms of reference approved by Court, have lay members in their membership, and report formally to Court on a regular basis. The Court Business Group meets in advance of each meeting of Court to review the business coming forward and to agree the agenda.

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

The Remuneration Committee determines the remuneration of the most senior staff, including the Principal, and is chaired by the Convener of Court.

The Court Membership Group is chaired by the Convener of Court and considers nominations for co-opted vacancies in Court's membership under Statute 2 of the University's Statutes, and also considers the matter of succession planning in relation to Court membership and in Court’s representation on other University committees. A number of lay members are appointed to Court by external bodies.

The Audit Committee plays a key role in assisting Court review the arrangements for internal control and risk management. It meets normally six times a year including an annual Workshop event, with the Internal Auditors in attendance at all meetings and the External Auditors in attendance at two meetings per year. Whilst senior executives attend meetings of the Audit Committee as necessary, they are not members. Committee members meet on their own, with the Internal Auditors and with the External Auditors for independent discussions. 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 Corporate Risk Register and reports from the Funding Council and other bodies as they affect the University's business and monitors adherence to regulatory requirements.

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

governance & internal control continued

The Executive Team is responsible for providing recommendations on the overall strategic direction of the University, for considering all major initiatives emerging and the resources required to support them, and for proposing these to Senate and Court as appropriate for final approval. It is chaired by the Principal and its membership comprises all the Senior Officers and Deans. In 2010/11 it met on a fortnightly basis.

Court has previously considered its operating practices and reviewed its own effectiveness. Its practices have been compared to those advocated by the Committee of University Chairmen Guide for Members of Higher Education Governing Bodies in the UK (published in November 2004 and updated in March 2009). 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 until 31 July 2011 the University Court's membership was 28 rather than the maximum of 25 as proposed in the guidance.

During 2010/11, the Privy Council approved a number of changes to the University's Charter and Statutes. One of these changes reduced the number of Court members from 28 to 24 from 1 August 2011.

The University views Risk Management as integral to the successful execution of its Strategic Plan. There is a process for identifying, evaluating and managing the University's significant risks which complies with the updated Turnbull Committee guidance on internal control. Risk registers are produced at Department/Divisional level and Faculty/ Directorate level where they are regularly reviewed and managed by the appropriate individuals/committees with regular reports being made from one level to the next in the structure.

At each stage the risks are evaluated and distilled leading to the production of the Corporate Risk Register which is reviewed and managed by the Executive Team. The information is also used to inform the strategic planning process. A Risk Group, chaired by the Chief Operating Officer, is responsible for supporting and advising the Executive Team, and through it Court, on the implementation and monitoring of the risk framework. The Corporate Risk Register was presented to Court at its June 2011 meeting, to enable Court to carry out its annual assessment, which also takes into account reports from its various committees and events that have occurred since 31 July 2010. 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 Executive Team and the Audit Committee.

The Audit Committee, on behalf of Court, has reviewed the adequacy and effectiveness of the University's system of internal control and risk management and is satisfied with the University's arrangements in that regard. Any system of internal control can, however, only provide reasonable but not absolute assurance against material misstatement or loss.

Based on the above noted process, Court is of the view that there were adequate and effective internal controls in place and that there was an adequate and effective process for identifying, evaluating and managing the University's significant risks during the year ended 31 July 2011 and up to the date of signing the annual report and accounts.

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

Embracing best practice in corporate governance is intended to ensure stronger alignment with the mission and vision of the University, across all areas. This will also serve to deliver improvements in governance structures, decision-making processes, efficiency of operation and effectiveness in monitoring and control systems.

J S Perry
Treasurer
24 November 2011

statement of primary responsibilities of 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/. 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.

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 Court, 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, 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.

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 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 professional services 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.

independent auditors' report to the University Court of the University of Strathclyde

We have audited the financial statements of the University of Strathclyde for the year ended 31 July 2011 which comprise the Consolidated Income and Expenditure Account, the Consolidated Statement of Total Recognised Gains and Losses, the Consolidated and University Balance Sheets, the Consolidated Cash Flow Statement and the related notes 1 to 33. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the University Court of the University of Strathclyde, as a body, in accordance with the Charter and Statutes 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 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 Court of the University of Strathclyde as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the University Court and auditor

As explained more fully in the Statement of Primary Responsibilities of Court set out on page 8, the University Court is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

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

In addition, we read all the financial and non-financial information in the Operating and Financial Review, Statement of Corporate Governance and Internal Control and Court Membership to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Group's and of the University's affairs as at 31 July 2011 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.

Opinion on other matters prescribed by applicable regulations

In our opinion:

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

Ernst & Young LLP
Glasgow
24 November 2011

Ernst & Young LLP is eligible to act as an Auditor in terms of Section 1212 of the Companies Act 2006 consolidated

income and expenditure account

for the year ended 31 July 2011

	Note	2011 £000	2010 £000
Income			
Funding Council grants	2	94,530	97,808
Tuition fees and education contracts	3	70,708	72,687
Research grants and contracts	4	40,187	36,635
Other income	5	22,484	21,816
Endowment and investment income	6	2,107	1,718
Total income		230,016	230,664
Expenditure			
Staff costs	7	132,407	138,720
Exceptional restructuring costs	9	2,838	10,546
Other operating expenses	9	70,557	76,670
Depreciation	9	19,209	14,564
Interest and other finance costs	8	232	156
Total expenditure	9	225,243	240,656
Operating surplus before exceptional items		7,611	554
Exceptional items	10	(2,838)	(10,546)
Surplus/(deficit) after depreciation of assets at cost		4,773	(9,992)
Gain on disposal of fixed asset investments	10	968	-
Surplus/(deficit) after depreciation of assets at cost and disposal of assets		5,741	(9,992)
Transfer from accumulated income in endowment funds		288	38
Surplus/(deficit) for the year retained within general reserves	21	6,029	(9,954)

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

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

balance sheets as at 31 July 2011

	Note	Consolidated 2011 £000	Consolidated 2010 £000	University 2011 £000	University 2010 £000
Fixed assets					
Tangible assets	11	194,393	195,191	194,393	195,191
Investments	12	8,261	7,365	8,261	7,365
		202,654	202,556	202,654	202,556
Endowment assets	13	23,335	21,022	23,335	21,022
Current assets					
Surplus assets for disposal		412	412	412	412
Stock		258	256	258	256
Debtors	14	12,544	13,411	12,548	13,415
Investments	15	65,000	65,000	65,000	65,000
Cash at bank and in hand		25,499	19,908	25,493	19,902
		103,713	98,987	103,711	98,985
Creditors: amounts falling due within one year	16	(59,122)	(55,815)	(59,120)	(55,813)
Net current assets		44,591	43,172	44,591	43,172
Total assets less current liabilities		270,580	266,750	270,580	266,750
Creditors: amounts falling due after more than one year	17	(9,880)	(11,787)	(9,880)	(11,787)
Provisions for liabilities	18	(8,362)	(16,789)	(8,362)	(16,789)
Net assets excluding pension liability		252,338	238,174	252,338	238,174
Net pension liability	30	(13,619)	-	(13,619)	-
Net assets including pension liability		238,719	238,174	238,719	238,174

	Note	Consolidated 2011 £000	Consolidated 2010 £000	University 2011 £000	University 2010 £000
Deferred capital grants	19	105,447	102,328	105,447	102,328
Endowments					
Expendable	20	1,535	1,099	1,535	1,099
Permanent	20	21,800	19,923	21,800	19,923
		23,335	21,022	23,335	21,022
Reserves					
Income and Expenditure Account excluding pension reserve	21	122,318	113,863	122,318	113,863
Pension reserve	21	(13,619)	-	(13,619)	-
Income and Expenditure Account including pension reserve		108,699	113,863	108,699	113,863
Revaluation reserve	21	1,238	961	1,238	961
		109,937	114,824	109,937	114,824
Total Funds		238,719	238,174	238,719	238,174

The Financial Statements were approved by the University Court on 24 November 2011, and signed on its behalf by:

Professor J McDonald
Principal and Vice-Chancellor

J S Perry
Treasurer

D Coyle
Chief Financial Officer

statement of consolidated total recognised gains and losses for the year ended 31 July 2011

	Note	2011 £000	2010 £000
Surplus/(deficit) on continuing operations		5,741	(9,992)
Appreciation on revaluation of fixed asset investments	12, 21	320	673
Appreciation of endowment assets	20	1,828	1,918
New endowments	20	773	220
Initial recognition of pension reserve	21	(18,348)	-
Actuarial gain in respect of pension scheme	30	7,112	-
Total recognised losses relating to the year		(2,574)	(7,181)

Reconciliation

	2011 £000	2010 £000
Opening reserves and endowments	135,846	143,027
Total recognised losses for the year	(2,574)	(7,181)
Closing reserves and endowments	133,272	135,846

consolidated cash flow statement

for the year ended 31 July 2011

	Note	2011 £000	2010 £000
Net cash inflow from operating activities	23	9,198	1,079
Returns on investments and servicing of finance	24	1,535	1,557
Capital expenditure and financial investment	25	(3,435)	(20,682)
Management of liquid resources	26	-	25,000
Financing	27	(1,100)	(720)
Increase in cash in the year		6,198	6,234

Reconciliation of net cash flow to movement in net funds

	Note	2011 £000	2010 £000
Increase in cash in the year		6,198	6,234
Change in short term deposits	26	-	(25,000)
Change in debt	27	1,827	720
Change in net funds		8,025	(18,046)
Net funds at 1 August		76,598	94,644
Net funds at 31 July	28	84,623	76,598

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.

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. The consolidated financial statements do not include those of the Students' Association because the University does not control its activities.

Income recognition
Funding council block grants are accounted for in the period to which they relate.

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

Recurrent income from research grants, contracts and other services rendered is included to the extent of the related expenditure incurred during the year, together with any related donations received towards overhead costs. Any payments received in advance of such expenditure are recognised on the balance sheet as liabilities.

Non-recurrent grants received in respect of the acquisition or construction of fixed assets are recorded as deferred capital grants. An annual transfer is made to the Income and Expenditure Account over the useful economic life of the asset, at the same rate as the depreciation charge on the asset for which the grant was awarded.

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

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

Any increase in value arising on the revaluation of fixed asset investments is carried as a credit to the revaluation reserve, via the Statement of Total Recognised Gains and Losses. Any diminution in value is charged to the Income and Expenditure Account, to the extent that it is not covered by a previous revaluation surplus.

1. **Principal Accounting Policies** continued

Income recognition continued
Increases or decreases in value arising on the revaluation or disposal of endowment assets is added to or subtracted from the funds concerned and accounted for through the Balance Sheet by debiting or crediting the endowment asset, crediting or debiting the endowment fund and is reported in the Statement of Total Recognised Gains and Losses.

Agency arrangements
Funds the University receives and disburses as paying agent on behalf of a funding body or other body, where the University is exposed to minimal risk or enjoys minimal economic benefit related to the receipt and subsequent disbursement of the funds, are excluded from the income and expenditure of the University.

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

Accounting for charitable donations

Unrestricted donations

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

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

- Unrestricted permanent endowments – 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 – the donor has specified a particular objective other than the purchase or construction of tangible fixed assets, and the University can convert the donated sum into income.

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

Donation for fixed assets

Donations received to be applied to the cost of a tangible fixed asset are shown on the Balance Sheet as a deferred capital grant. The deferred capital grant is released to the Income and Expenditure Account over the same estimated useful life that is used to determine the depreciation charge associated with the tangible fixed asset.

Accounting for retirement benefits

The University contributes to the Universities Superannuation Scheme (USS), the Strathclyde Pension Fund (SPF) and the Scottish Teachers Superannuation Scheme (STSS). These are defined benefit schemes which are contracted out of the Second State Pension (S2P).

1. **Principal Accounting Policies** continued

Accounting for retirement benefits continued

The assets of USS and STSS are held in separate trustee-administered funds. Because of the mutual nature of the schemes, scheme-wide contribution rates are set. The University is, therefore, exposed to actuarial risks associated with other scheme members and is unable to identify its share of the assets and liabilities of the scheme on a consistent and reasonable basis. As required by FRS17, the University accounts for these schemes as if they were defined contribution schemes. As a result, the amounts charged to the Income and Expenditure Account represent the contributions payable to the schemes in respect of the accounting period.

The University considers that sufficiently robust information is now available to enable it to identify its share of assets and liabilities of SPF on a consistent and reasonable basis and from 2010/11 the expected cost of providing pension benefits to employees contributing to SPF is now recognised on an actuarial basis using the projected unit method and discounted at the current rate of return on a high quality corporate bond of equivalent term and currency to the liability.

The pension scheme surplus (to the extent that it is recoverable) or deficit is recognised in full. The movement in the scheme surplus/deficit is split between the Income and Expenditure Account and the Statement of Total Recognised Gains and Losses.

Foreign currencies

Transactions denominated in foreign currencies are recorded at the rate of exchange ruling at the date of the transactions. 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. Freehold buildings are depreciated over their expected useful lives of up to 50 years. Leasehold land and buildings are amortised on the life of the lease up to a maximum of 50 years. Alterations and additions to buildings are depreciated over the expected useful life of the work carried out.

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 recognised 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.

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 enhancement is added to the gross carrying amount of the tangible fixed asset concerned.

1. **Principal Accounting Policies** continued

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 recognised 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.

Heritage assets

Works of art and items of historical interest are not recognised, since reliable cost information is not available for items acquired many years ago and significant costs are involved in arriving at valuations.

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.

Repairs and maintenance

Expenditure to ensure that a tangible fixed asset maintains its previously assessed standard of performance is recognised in the Income and Expenditure Account in the period it is incurred. The University has a planned maintenance programme, which is reviewed on an annual basis.

Investments

Fixed Asset Investments are included in the Balance Sheet at market value except for investments in spin-out companies 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 restricted or unrestricted purposes of the University as determined by the terms of the endowment. Endowment Asset Investments are included in the Balance Sheet at market value.

Current Asset Investments are shown at the lower of cost and net realisable 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.

1. **Principal Accounting Policies** continued

Provisions, contingent liabilities and contingent assets

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. 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: 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.

Cash flows and liquid resources

Cash flows comprise increases or decreases in cash. Cash includes cash in hand, cash at bank and deposits repayable on demand. Deposits are repayable on demand if they are available within 24 hours without penalty. No other investments, however liquid, are included as cash.

Liquid resources comprise term deposits, government securities and loan stock held as part of the University's treasury management activities. They exclude any such assets held as endowment asset investments.

2. **Funding Council grants**

	2011 £000	**2010** £000
SFC Higher Education recurrent teaching grant	60,298	59,792
SFC recurrent research grant	19,470	20,442
SFC non-recurrent research grant	4,073	5,367
SEED Funding for Initial Teacher Education	1,126	4,140
Released from deferred capital grants	6,392	4,498
Other SFC grants	3,171	3,569
	94,530	97,808

3. **Tuition fees and education contracts**

UK and EU fees	30,962	31,168
Non EU fees	27,683	25,843
Non credit bearing course fees	6,192	7,996
Education contracts	2,017	3,200
Other contracts	3,854	4,480
	70,708	72,687

4. Research grants and contracts

	2011	2010
	£000	£000
Research Councils	17,162	17,897
UK based charities	4,638	4,123
European Commission	4,799	3,719
Other grants and contracts	12,237	9,247
Released from deferred capital grants	1,351	1,649
	40,187	36,635

5. Other income

Residences and catering	9,074	8,988
Other services rendered	5,638	5,041
Released from deferred capital grants	1,946	1,212
Royalty income	229	361
Accommodation charges and rental income	177	267
Other departmental income	2,883	3,669
Donations and subventions	677	626
Other	1,860	1,652
	22,484	21,816

6. Endowment and investment income

Income from expendable endowments	8	7
Income from permanent endowments	686	684
Interest receivable	801	815
Investment income	242	212
Net return on pension scheme	370	-
	2,107	1,718

7. Staff costs

	2011 £000	2010 £000
Wages and salaries	107,115	113,482
Social security costs	8,781	9,175
Other pension costs (Note 30)	16,511	16,063
	132,407	138,720

Average staff numbers by major category:	2011 Number	2010 Number
Academic and academic-related	1,927	2,027
Technical	223	246
Clerical	505	550
Operational	572	635
	3,227	3,458

	2011 £000	2010 £000
Remuneration, excluding employer's pension contributions, of the Principal and Vice-Chancellor was	250	250

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 £40,000 (2010 £39,000).

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

	2011			2010		
	Senior	Other	Total	Senior	Other	Total
£70,001 - £80,000	-	50	50	-	64	64
£80,001 - £90,000	-	47	47	1	43	44
£90,001 - £100,000	-	17	17	-	20	20
£100,001 - £110,000	-	13	13	-	9	9
£110,001 - £120,000	3	1	4	3	3	6
£120,001 - £130,000	1	3	4	2	1	3
£130,001 - £140,000	1	-	1	-	1	1
£140,001 - £150,000	-	-	-	1	-	1
£150,001 - £200,000	1	-	1	-	1	1
£240,001 - £250,000	1	-	1	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 staff whose earnings are more than £70,000 per annum or where the costs of all elements of a proposed arrangement amount to more than £100,000 comprised:

	2011 £000	**2010** £000
Compensation paid	455	487
Pension benefits	104	5,585
	559	6,072

8. Interest and other finance costs

Loans not wholly repayable within five years	232	156

9. Analysis of expenditure by activity

	Staff costs £000	**Other operating expenses** £000	**Interest and other finance costs** £000	**2011 total** £000	**2010 total** £000
Academic departments	73,574	18,232	-	91,806	99,927
Academic services	10,585	5,135	-	15,720	16,368
Research grants and contracts	16,837	12,449	-	29,286	25,846
Administration and central services	15,187	7,884	-	23,071	23,041
Residences and catering	2,917	2,983	-	5,900	7,196
Premises	8,166	15,134	-	23,300	27,349
Other expenses	5,141	8,740	232	14,113	15,819
	132,407	70,557	232	203,196	215,546
Exceptional restructuring costs				2,838	10,546
Depreciation				19,209	14,564
Total per income and expenditure account				225,243	240,656

Exceptional restructuring costs of £2,838,000 (2010 £10,546,000) were incurred as a result of the Early Retiral and Voluntary Severance scheme introduced to reduce recurrent employment costs.

The depreciation charge has been funded by:		
Deferred capital grants released	9,689	7,359
General income	9,520	7,205
	19,209	14,564
Other operating expenses include:		
External auditors remuneration - audit services	67	67
External auditors remuneration - non-audit services	60	61

10. Exceptional items

	2011 £000	2010 £000
Gain on disposal of fixed asset investments	968	-
Restructuring costs	(2,838)	(10,546)

11. Tangible fixed assets

Group and University	Land and Buildings Freehold £000	Land and Buildings Long leasehold £000	Land and Buildings Assets under construction £000	Equipment £000	Total £000
Cost					
At 1 August 2010	237,305	9,394	35,761	30,613	313,073
Additions	8,394	97	1,310	8,610	18,411
Transfers	33,615	-	(33,615)	-	-
Disposals	-	-	-	(3,807)	(3,807)
At 31 July 2011	279,314	9,491	3,456	35,416	327,677
Depreciation					
At 1 August 2010	94,043	7,243	1,963	14,633	117,882
Charge for year	13,132	323	-	5,754	19,209
Disposals	-	-	-	(3,807)	(3,807)
At 31 July 2011	107,175	7,566	1,963	16,580	133,284
Net book value at 31 July 2011	172,139	1,925	1,493	18,836	194,393
Net book value at 31 July 2010	143,262	2,151	33,798	15,980	195,191

Buildings with a net book value of £131,483,000 and cost of £222,616,000 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.

Heritage assets are not recognised in the Financial Statements. The University's heritage assets comprise over 1,000 works of art, around 400 historical scientific instruments, some 35 special collections of rare printed and manuscript materials, historical archives (including the University's own archives and some 30 other archive collections), and silverware and other ceremonial items. The age of the items range from the 15th century to the present day. The artwork collection is mainly displayed in University buildings across the campuses, while the historical scientific instrument collection is available for viewing by appointment. The book/manuscript collections and archives are used for consultation purposes. The ceremonial assets are used for occasions such as graduations. No material acquisitions occurred in the period, and there were no disposals.

12. Fixed asset investments

	Consolidated and University	
	2011	**2010**
	£000	£000
At 1 August	7,365	6,141
Additions	1,644	1,284
Disposals	(1,201)	(858)
Increase in market value of investments	320	673
Increase in cash balances	133	125
At 31 July	8,261	7,365
Represented by:		
Fixed interest investments (listed)	1,291	1,135
Equities (listed)	6,049	5,203
Cash at bank	514	381
Spin-out company investments	355	401
Synergy investments	-	193
Other	52	52
	8,261	7,365

Investments are stated at market value apart from investments in projects emanating from the University's research activities and which are considered to merit commercial development (spin-out company investments). Such investments are stated at the lower of cost and net realisable value.

The University's principal subsidiary undertakings are:

	% Holding	**Main Activity**	**Year End**
Strathclyde University Incubator Limited	100	Incubator for technology based business	31/7/11
University of Strathclyde Properties Limited	100	Dormant	31/7/11
Haleno Limited	100	Dormant	31/7/11
SGBS Limited	100	Dormant	31/7/11

13. Endowment assets

	Consolidated and University	
	2011	**2010**
	£000	£000
At 1 August	21,022	18,922
Additions	4,411	3,956
Disposals	(4,400)	(4,024)
Increase in market value of investments	1,828	1,918
Increase in cash balances held for endowment funds	474	250
At 31 July	23,335	21,022
Represented by:		
Fixed interest investments (listed)	3,021	2,888
Equities (listed)	15,443	13,750
Bank deposits	201	188
Cash at bank held for endowment funds	4,670	4,196
Total endowment assets	23,335	21,022
Fixed interest investments and equities at cost	14,778	14,173

14. Debtors

	Consolidated		University	
	2011	**2010**	**2011**	**2010**
	£000	£000	£000	£000
Debtors	10,355	10,755	10,355	10,755
Prepayments and accrued income	2,189	2,656	2,193	2,660
	12,544	13,411	12,548	13,415

15. Current asset investments

	Consolidated		University	
	2011 £000	**2010** £000	**2011** £000	**2010** £000
Deposits maturing:				
in one year or less	65,000	65,000	65,000	65,000

Deposits are held with banks operating in the London market and licensed by the Financial Services Authority. These deposits have more than 24 hours maturity at the balance sheet date.

At 31 July 2011 the weighted average interest rate of these fixed deposits was 1.12% per annum and the remaining weighted average period for which the interest rate is fixed on these deposits was 59 days. The fair value of these deposits was not materially different from the book value.

16. Creditors: amounts falling due within one year

	Consolidated		University	
	2011 £000	**2010** £000	**2011** £000	**2010** £000
Unsecured loans	1,180	1,100	1,180	1,100
Creditors	15,747	17,582	15,745	17,580
Social security and other taxation payable	2,839	2,993	2,839	2,993
Accruals	7,927	8,343	7,927	8,343
Deferred income	31,429	25,797	31,429	25,797
	59,122	55,815	59,120	55,813

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

	Consolidated and University	
	2011	**2010**
	£000	£000
Analysis of unsecured loans:		
Due within one year or on demand	1,180	1,100
Due between one and two years	1,280	1,180
Due between two and five years	4,460	4,140
Due in five years or more	4,140	6,467
	11,060	12,887
Due within one year or on demand	(1,180)	(1,100)
Due after more than one year	9,880	11,787

The unsecured bank loan of £10,460,000 (2010 £11,560,000) is repayable by instalments between 1 August 2011 and 31 July 2018 and interest is charged at 0.5% above the Base Rate. The University also has interest free loans totalling £600,000 (2010 £600,000) from Salix Finance Ltd which are partially repayable in five years or more. The dates and quantum of repayments are wholly dependent upon the timing of expenditure and savings related to various energy efficiency and renewable energy projects funded by these loans, which require matched funding by the University. The University had recurrent loans totalling £Nil (2010 £727,000) from the Synergy Fund. The Synergy Fund was dissolved during the year and loans previously advanced to the University were waived.

18. Provisions for liabilities

	Consolidated and University	
	2011	**2010**
	£000	£000
Pensions		
At 1 August	16,789	13,110
Transfer to pension liability (Note 21)	(2,448)	-
Expenditure in the year	(8,571)	(5,592)
Transfer from Income and Expenditure Account	2,294	8,792
Revaluation adjustment	298	479
At 31 July	8,362	16,789

The University has an obligation in respect of former employees who have retired and for whom an enhanced pension has been provided. Some £4,782,000 (2010 £8,994,000) of this liability continues throughout the retirement period and is assessed by independent actuarial valuation. The principal assumptions are a discount rate of 5.1% (2010 5.3%) and pension increases of 2.6% (2010 2.9%). The balance of £3,580,000 (2010 £7,795,000) relates to the estimated cost of enhanced benefits and strain costs which will be settled via future payments to the Universities Superannuation Scheme and the Scottish Teachers' Superannuation Scheme.

The provision in relation to the Strathclyde Pension Fund has been transferred to the Pension Liability as, from 1 August 2010, this scheme is recognised on a defined benefit basis in accordance with FRS17.

19. Deferred capital grants

Consolidated and University	Funding Council £000	Other grants and benefactions £000	Total £000
At 1 August 2010			
Buildings	63,894	27,891	91,785
Equipment	7,322	3,221	10,543
Total	71,216	31,112	102,328
Cash Receivable			
Buildings	4,761	1,560	6,321
Equipment	3,286	3,201	6,487
Total	8,047	4,761	12,808
Released to income and expenditure			
Buildings	4,983	1,436	6,419
Equipment	1,409	1,861	3,270
Total	6,392	3,297	9,689
At 31 July 2011			
Buildings	63,672	28,015	91,687
Equipment	9,199	4,561	13,760
Total	72,871	32,576	105,447

20. Endowments

Consolidated and University	Unrestricted Permanent £000	Restricted Permanent £000	Total Permanent £000	Restricted Expendable £000	2011 Total £000	2010 Total £000
At 1 August 2010						
Capital	3,242	14,472	17,714	-	17,714	15,692
Accumulated income	-	2,209	2,209	1,099	3,308	3,230
	3,242	16,681	19,923	1,099	21,022	18,922
New Endowments	6	58	64	709	773	220
Investment Income	109	577	686	8	694	691
Expenditure	(109)	(573)	(682)	(300)	(982)	(729)
	-	4	4	(292)	(288)	(38)
Increase in market value of investments	240	1,569	1,809	19	1,828	1,918
At 31 July 2011	3,488	18,312	21,800	1,535	23,335	21,022
Represented by:						
Capital	3,488	16,099	19,587	-	19,587	17,714
Accumulated income	-	2,213	2,213	1,535	3,748	3,308
	3,488	18,312	21,800	1,535	23,335	21,022

21. Reserves

Consolidated and University	Income and Expenditure Account £000	Revaluation Reserve £000	Pension Reserve £000	Total £000
At 1 August 2010	113,863	961	-	114,824
Surplus retained for the year	6,029	-	-	6,029
Revaluation of fixed asset investments	-	320	-	320
Realised revaluation gain on sale of investments	43	(43)	-	-
Initial recognition of pension reserve (Note 30)	2,448	-	(20,796)	(18,348)
Actuarial gain	-	-	7,112	7,112
Surplus retained within reserves	(65)	-	65	-
At 31 July 2011	122,318	1,238	(13,619)	109,937

22. Capital commitments

	Consolidated and University	
	2011 £000	**2010** £000
Commitments contracted at 31 July	3,143	9,876

Of the above commitments, £2,048,000 (2010 £8,190,000) will be funded from external sources.

23. Reconciliation of operating surplus to net cash flow from operating activities

	2011 £000	**2010** £000
Surplus/(deficit) after depreciation of assets at cost	5,741	(9,992)
Depreciation of tangible fixed assets	19,209	14,564
Deferred capital grants released to income	(9,689)	(7,359)
Investment income	(2,107)	(1,718)
Gain on disposal of tangible fixed assets	(968)	-
Gain on sale of investments	(98)	(38)
Interest payable	232	156
Increase in stocks	(2)	(1)
(Increase)/decrease in debtors	(90)	192
Increase in creditors	2,644	1,596
(Decrease)/increase in provisions	(5,979)	3,679
Pension costs less contributions payable	305	-
Net cash inflow from operating activities	9,198	1,079

24. Returns on investments and servicing of finance

Income from endowments	694	691
Interest received and investment income	1,074	1,023
Interest paid	(233)	(157)
Net cash inflow from returns on investments and servicing of finance	1,535	1,557

25. Capital expenditure and financial investment

Payments to acquire tangible fixed assets	(17,827)	(42,736)
Deferred capital grants received	13,471	22,154
Endowment assets acquired and received	(3,638)	(3,736)
Receipts from sale of endowment assets	4,400	4,024
Purchase of fixed asset investments	(1,644)	(1,284)
Receipts from sale of fixed asset investments	1,803	896
Net cash outflow for capital expenditure and financial investment	(3,435)	(20,682)

26. Management of liquid resources

Decrease in short term deposits	-	(25,000)

27. Financing

	2011 £000	2010 £000
New unsecured loans	-	300
Repayments of unsecured loans	(1,100)	(1,020)
	(1,100)	(720)
Non-cash changes to debt (Note 28)	(727)	-
	(1,827)	(720)

28. Analysis of changes in net funds

	At 1/8/10 £000	Cash flow £000	Non-cash changes £000	At 31/7/11 £000
Investments	381	133	-	514
Endowment assets	4,196	474	-	4,670
Cash in hand and in bank	19,908	5,591	-	25,499
	24,485	6,198	-	30,683
Short-term investments	65,000	-	-	65,000
Debts due within one year	(1,100)	1,100	(1,180)	(1,180)
Debts due after one year	(11,787)	-	1,907	(9,880)
	76,598	7,298	727	84,623

29. Cash flows relating to exceptional items

Operating cash flows include an outflow of £9,784,000 (2010 £6,429,000) in respect of exceptional restructuring costs.

30. Pension schemes

The University participates in three defined benefit schemes, the Universities Superannuation Scheme (USS), the Strathclyde Pension Fund (SPF) and the Scottish Teachers Superannuation Scheme (STSS).

	2011 £000	2010 £000
The total pension costs for the year were:		
USS	12,700	12,682
SPF	3,670	3,041
STSS	141	340
	16,511	16,063

With the exception of the Strathclyde Pension Fund in 2010/11, the University has, as permitted by FRS 17, accounted for these schemes as though they were defined contribution schemes and the costs recognised within the University's Income and Expenditure Account is equal to the contributions payable to the schemes in the year.

30. **Pension Schemes continued**

	2011	**2010**
	£000	£000
Outstanding contributions at 31 July were:		
USS	1,604	1,779
SPF	269	303
STSS	16	33
	1,889	2,115

Universities Superannuation Scheme

The University participates in USS, a defined benefit scheme which is 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. Because of the mutual nature of the scheme, the scheme's assets are not hypothecated to individual institutions and a scheme wide contribution rate is set. The University is, therefore, exposed to actuarial risks associated with other institutions' employees and is unable to identify its share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis and, therefore, as required by 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 to the scheme in respect of the accounting period.

The latest triennial actuarial valuation of the scheme was at 31 March 2008. This was the first valuation for USS under the new scheme specific funding regime introduced by the Pensions Act 2004, which requires schemes to adopt a statutory funding objective, which is to have sufficient and appropriate assets to cover their technical provisions. The actuary also carries out regular reviews of the funding levels. In particular, he carries out a review of the funding level each year between triennial valuations and details of his estimate of the funding level at 31 March 2011 are also included in this note.

The triennial valuation was carried out using the projected unit method. The assumptions which have the most significant effect on the result of the valuation are those relating to the rate of return on investments (i.e. the valuation rate of interest), the rates of increase in salary and pensions and the assumed rates of mortality. The financial assumptions were derived from market yields prevailing at the valuation date. An "inflation risk premium" adjustment was also included by deducting 0.3% from the market implied inflation on account of the historically high level of inflation implied by Government bonds (particularly when compared to the Bank of England's target of 2.0% for CPI which corresponds broadly to 2.75% for RPI per annum).

To calculate the technical provisions, it was assumed that the valuation rate of interest would be 6.4% per annum (which includes an additional assumed investment return over gilts of 2.0% per annum), salary increases would be 4.3% per annum (plus an additional allowance for increases in salaries due to age and promotion reflecting historic scheme experience, with a further cautionary reserve on top for past service liabilities) and pensions would increase by 3.3% per annum.

Standard mortality tables were used as follows:

Male members' mortality	PA92 MC YoB tables - rated down 1 year
Female members' mortality	PA92 MC YoB tables - No age rating

30. Pension Schemes continued

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

Males (females) currently aged 65	22.8 (24.8) years
Males (females) currently aged 45	24.0 (25.9) years

At the valuation date, the value of the assets of the scheme was £28,842.6 million and the value of the scheme's technical provisions was £28,135.3 million indicating a surplus of £707.3 million. The assets therefore were sufficient to cover 103% of the benefits which had accrued to members after allowing for expected future increases in earnings.

The actuary also valued the scheme on a number of other bases as at the valuation date. On the scheme's historic gilts basis using a valuation rate of interest in respect of part service liabilities of 4.4% per annum (the expected return on gilts) the funding level was approximately 71%. Under the Pension Protection Fund regulations introduced by the Pensions Act 2004 the Scheme was 107% funded; on a buy-out basis (i.e. assuming the scheme had discontinued on the valuation date) the assets would have been approximately 79% of the amount necessary to secure all the USS benefits with an insurance company; and using the FRS17 formula as if USS was a single employer scheme, using a AA bond discount rate of 6.5% per annum based on spot yields, the actuary estimated that the funding level at 31 March 2008 was 104%.

The technical provisions relate essentially to the past service liabilities and funding levels, but it is also necessary to assess the ongoing cost of newly accruing benefits. The cost of future accrual was calculated using the same assumptions as those used to calculate the technical provisions except that the valuation rate of interest assumed asset out performance over gilts of 1.7% per annum (compared to 2.0% per annum for the technical provisions) giving a discount rate of 6.1% per annum; also the allowance for promotional salary increases was not as high. Analysis has shown very variable levels of growth over and above general pay increases in recent years, and the salary growth assumption built into the cost of future accrual is based on more stable historic salary experience. However, when calculating the past service liabilities of the scheme, a cautionary reserve has been included, in addition, on account of the variability mentioned above.

The scheme-wide contribution rate required for future service benefits alone at the date of the valuation was 16.0% of pensionable salaries and the trustee company, on the advice of the actuary, increased the institution contribution rate to 16.0% of pensionable salaries from 1 October 2009.

Since 31 March 2008 global investment markets have continued to fluctuate and as at 31 March 2011 the market's assessment of inflation has increased slightly. The government has also announced a change to the inflation measure used in determining the "Official Pensions Index" from the Retail Prices Index to the Consumer Prices Index. The actuary has taken this all into account in his funding level estimates at 31 March 2011 by reducing the assumption for pension increases from 3.3% pa to 2.9% pa. The actuary has estimated that the funding level as at 31 March 2011 under the scheme specific funding regime had fallen from 103% to 98% (a deficit of circa £700 million). Over the past twelve months, the funding level has improved from 91%, as at 31 March 2010 to 98%.

30. Pension Schemes continued

This estimate is based on the funding level at 31 March 2008, adjusted to reflect the fund's actual investment performance over the three years and changes in market conditions (market conditions affect both the valuation rate of interest and also the inflation assumption which in turn impacts on the salary and pension increase assumptions). The next formal valuation is as at 31 March 2011 and this will incorporate updated assumptions agreed by the trustee company.

With effect from 1 October 2011, new joiners to the scheme will join the new revalued benefits section rather than the existing final salary section. This change will have an impact, expected to be positive, on the future funding levels.

On the FRS17 basis, using a AA bond discount rate of 5.5% per annum based on spot yields, the actuary estimated that the funding level at 31 March 2011 was 86%. An estimate of the funding level measured on a buy-out basis at that date was approximately 54%.

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

Assumption	***Change in assumptions***	***Impact on scheme liabilities***
Valuation rate of interest	Increase/decrease by 0.5%	Decrease/increase by £2.2 billion
Rate of pension increases	Increase/decrease by 0.5%	Increase/decrease by £1.5 billion
Rate of salary growth	Increase/decrease by 0.5%	Increase/decrease by £0.7 billion
Rate of mortality	More prudent assumption (move to long cohort future improvements from the medium cohort adopted at the valuation)	Increase by £1.6 billion

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 trustee believes that over the long-term equity investment and investment in selected alternative asset classes will provide superior returns to other investment classes. The management structure and targets set are designed to give the fund a major exposure towards equities through portfolios that are diversified both geographically and by sector. The trustee recognises that it would be theoretically possible to select investments producing income flows broadly similar to the estimated liability cash flows.

30. Pension schemes continued

However, in order to meet the long-term funding objective within a level of contributions that it considers the employers would be willing to make, the trustee needs to take on a degree of investment risk relative to the liabilities. This taking of investment risk seeks to target a greater return than the matching assets would provide whilst maintaining a prudent approach to meeting the fund's liabilities. Before deciding what degree of investment risk to take relative to the liabilities, the trustee receives advice from its internal investment team, its investment consultant and the scheme actuary, and considers the views of the employers. The strong positive cash flow for the scheme means that it is not necessary to realise investments to meet liabilities. The trustee believes that this, together with the ongoing flow of new entrants into the scheme and the strength of covenant of the employers enables it to take a long-term view of its investments. Short-term volatility of returns can be tolerated and need not feed through directly to the contribution rate although the trustee is mindful of the desirability of keeping the funding level on the scheme's technical provisions close to or above 100% thereby minimising the risk of the introduction of deficit contributions. The actuary has confirmed that the scheme's cash flow is likely to remain positive for the next ten years or more.

The next formal triennial actuarial valuation is due as at 31 March 2011 and will incorporate allowance for scheme benefit changes and any changes the trustee makes to the underlying actuarial assumptions. The contribution rate will be reviewed as part of each valuation and may be reviewed more frequently.

At 31 March, USS had over 142,000 active members and the University had 2,081 active members participating in the scheme.

The contribution rate payable by the institution is 16% 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. The University believes that sufficiently robust information is now available to enable each institution's share of the underlying assets and liabilities of the scheme to be identified on a consistent and reasonable basis and hence from 2010/11 contributions to the scheme are accounted for as if it were a defined benefit scheme.

SPF is an externally funded, multi-employer, defined benefits scheme which is contracted out of the State Second Provision (S2P) Scheme. The last full valuation was carried out at 31 March 2008 by a qualified independent actuary. The FRS17 results below are based on rolling forward the previous valuation results to 31 July 2011.

The University's share of the underlying assets and liabilities were recognised for the first time on 1 August 2010, the first day of the financial year. At that time, the net pension liability was £20,796,000. The University had previously recognised £2,448,000 in respect of unfunded pension liabilities in its pension provision (Note 18). The net impact of the initial recognition of the pension liability is £18,348,000 through the Statement of Total Recognised Gains and Losses.

30. Pension schemes continued

The major assumptions used by the actuary at the beginning and end of the financial year were as follows:

	2011	2010
Rate of increase of salaries (see note a)	5.0% *	4.9% **
Rate of increase in pensions in payment (see note b)	2.7%	2.9%
Discount rate	5.3%	5.4%
Expected return on assets	6.4%	6.6%

(a) * The salary increase assumption is 1% for the year to July 2012, 3% for the year to July 2013 and 5% thereafter.
** The salary increase assumption is 1% pa until July 2012, reverting to the long term assumption shown thereafter.
(b) The rate of increase in pensions at 31 July 2011 is based on CPI.

The current mortality assumptions include a sufficient allowance for future improvements in mortality rates. The assumed life expectations on retirement age 65 are as follows:

	At 31 July 2011	At 31 July 2010
Current Pensioners		
Males	20.6 years	20.3 years
Females	23.9 years	23.2 years
Future Pensioners		
Males	22.6 years	21.7 years
Females	26.0 years	24.6 years

The fair value of the University's asset share and liabilities in the scheme were measured in accordance with the requirements of FRS17 and the expected rates of return were as follows:

30. Pension schemes continued

	Long term rate of return	Value at 31 July 2011 £000	Long term rate of return	Value at 31 July 2010 £000
Equities	7.0%	104,496	7.2%	94,496
Bonds	4.7%	17,874	4.8%	17,639
Property	5.1%	8,250	5.3%	8,820
Cash	4.0%	6,875	4.4%	5,040
Total market value of assets		137,495		125,995
Present value of scheme liabilities				
- Funded		(149,087)		(144,973)
- Unfunded		(2,027)		(1,818)
Deficit in the scheme		(13,619)		(20,796)

Movements in fair value of plan assets	**2011** £000
At 1 August	125,995
Expected return on plan assets	8,257
Actuarial gains	5,029
Contributions by the employer	3,181
Contributions in respect of unfunded benefits	184
Contributions by members	767
Unfunded benefits paid	(184)
Benefits paid	(5,734)
At 31 July	137,495

Movements in present value of defined benefit obligations	**2011** £000
At 1 August	146,791
Current service cost	2,735
Past service cost	10
Loss on curtailments	925
Interest cost	7,887
Actuarial gains	(2,083)
Contributions by members	767
Estimated unfunded benefits paid	(184)
Benefits paid	(5,734)
At 31 July	151,114

30. Pension schemes continued

Expense recognised in the Income and Expenditure Account	**2011** £000
Current service cost	2,735
Past service cost	10
Loss on curtailments	925
Total operating charge	3,670
Expected return pension scheme assets	(8,257)
Interest cost	7,887
Total net finance return	(370)
Total pension cost recognised in the Income and Expenditure Account	3,300
Analysis of amount recognised in the Statement of Total Recognised Gains and Losses (STRGL):	
Actual return less expected return on scheme assets	5,029
Experience gains on liabilities	2,083
	7,112
Initial recognition of pension reserve	(18,348)
Total loss recognised via STRGL during year	(11,236)

History of experience gains and losses	**2011** £000/%
Difference between the expected and actual returns on assets	5,029
Percentage of scheme assets	3.7%
Experience gains on scheme liabilities	2,083
Percentage of scheme liabilities	1.4%
Total amount recognised in STRGL	7,112
Percentage of scheme liabilities	4.7%

30. Pension schemes continued

The contribution rate payable by the University is 21.1% of pensionable salary.

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 is 14.9% of members' salaries.

Pension provision

The pension provision is made to cover pensions due to staff who have taken early retirement from the University. The provision at 31 July 2011 is £8,362,000 (2010 £16,789,000).

31. Taxation status

The University has charitable status and is recorded on the index of charities maintained by the Office of the Scottish Charity Regulator (Charity No. SC015263). The University is an exempt charity within the meaning of Paragraph 1 of Schedule 6 to the Finance Act 2010. Accordingly, the University is exempt from taxation in respect of income or capital gains received within categories covered by Sections 478 – 488 of the Corporation Tax Act 2010 (formerly enacted in 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.

32. Related party transactions

Due to the nature of the University's operations and the composition of Court (being drawn from local public and private sector organisations) it is inevitable that transactions will take place with organisations in which a member of Court may have an interest. All transactions involving organisations in which a member of Court may have an interest are conducted at arms length and in accordance with the University's Financial Regulations and usual procurement procedures.

The University makes certain payments on behalf of and is re-imbursed for certain costs by the Students' Association (USSA). The University does not exercise day to day control over the activities of USSA.

In line with the Committee of University Chairmen guidance, all members of Court are required to complete a register of interests to record any areas of potential conflict with the interests of the University. A register of interests is maintained for members of Court and no related party transactions of a material nature were reported during the year.

Membership of spin-out 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.

33. HE bursaries and other student support funds

	2011 HE Childcare £000	2011 HE Discretionary £000	2011 Other £000	2011 Total £000	2010 Total £000
Balance brought forward	11	31	-	42	117
Allocation received in the year	469	1,037	14	1,520	1,342
Expenditure	(252)	(1,214)	(1)	(1,467)	(1,417)
Repaid to Funding Council as clawback	-	-	-	-	-
Virements	(200)	213	(13)	-	-
Balance carried forward	28	67	-	95	42
Repayable to Funding Council as clawback	-	-	-	-	-
Retained by University for students	28	67	-	95	42

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 2010/11

Court Membership 2010/11	Membership of Principal Committees of Court
Convener of Court	
Dr J F Livingston	Convener of Court Membership Group, Remuneration Committee and Court Business Group. Member of Estates Committee
Ex Officio	
Principal and Vice-Chancellor Professor J McDonald	Convener of Executive Team, Member of Estates Committee, Staff Committee, Court Membership Group and Court Business Group
Vice-Principal Professor K Miller	Convener of Staff Committee, Member of Executive Team, Court Membership Group and Court Business Group
Local Government	
Councillor J Findlay	
Convocation*	
Mr J Fergus	
Convener, Dr J F Livingston	See above
Dr G R Wilson (Vice-Convener of Court)	Member of Staff Committee, Court Membership Group, Remuneration Committee and Court Business Group
Mr M Wishart	Convener of Audit Committee and Member of Remuneration Committee
Senate	
Professor R Kalin (until 31/07/11)	
Dr J McInnes (until 31/07/11)	
Dr K O'Gorman	
Dr C Prior	
Dr S Tagg	
Dr L Woolfson	
Graduates Association	
Dr C Tedford (until 31/07/11)	
President of the Students Association	
Mr P Whyte (until 30/06/11)	
Mr C Singh (from 01/07/11)	
Co-opted by Court (Lay Members)	
Mr R Cleland	Member of Staff Committee and Court Business Group
Mr R Crawford	Member of Audit Committee
Mr D Dunbar (Deputy Convener of Court (Estates)) (until 31/07/11)	Member of Estates Committee, Court Membership Group, Remuneration Committee and Court Business Group
Mr D Gray	
Dr P Hughes	
Mr R J A Hunter	
Ms M McGarry	Member of Audit Committee
Mr T J Monaghan (Treasurer) (until 31/07/11)**§**	Member of Estates Committee, Remuneration Committee, Court Membership Group and Court Business Group
Mr J S Perry **§**	Member of Audit Committee
Non-Teaching Staff	
Mr N Sturrock	

The following individuals were not members of Court during the financial year to 31 July 2011 but were members of Court on the date the Financial Statements were approved: Ms G Hastings, Professor J Fraser, Dr R M Harley, Ms C Morton.

***Convocation –** during 2010/11 the Privy Council approved the revised University Charter and Statutes which changed the composition of Court and dissolved the General Convocation. However, this change was not implemented until 1 August 2011 to allow the relevant members to complete their period of membership. From this date those appointed by Convocation are now co-opted members of Court.

§ Mr J S Perry succeeded Mr T J Monaghan as Treasurer on 1 August 2011.

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