

REPORT & FINANCIAL STATEMENTS

YEAR ENDED 31 JULY 2015

LEADING
INTERNATIONAL
TECHNOLOGICAL
STRATHCLYDE



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The Rt Hon the Lord Smith of Kelvin KT

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(until 30/09/14)

Professor Scott MacGregor BSc PhD SMIEEE CPhys
(from 01/10/14)

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Executive Dean of the Strathclyde Business School
(until 31/05/15)

Professor David Hillier BSc Hons PhD, Executive Dean
of the Strathclyde Business School (from 01/06/15)

Professor Tony McGrew BSc PhD, Executive Dean of the
Faculty of Humanities and Social Sciences (until 31/12/14)

Professor Douglas Brodie LLB PhD, Executive Dean of the
Faculty of Humanities and Social Sciences (from 12/01/15)

Professor David Littlejohn BSc PhD FRSE FRSC, Executive
Dean of the Faculty of Science

Professor Scott MacGregor BSc PhD SMIEEE, CPhys,
Executive Dean of the Faculty of Engineering (until 30/09/14)

Professor Atilla Incecik BSc PhD CEng MRINA MSNAJ MSNAME,
Acting Executive Dean of the Faculty of Engineering
(from 01/10/14 until 30/06/15)

Professor Dimitris Drikakis MEng PhD CEng FRAeS SMAIAA
MASME MAPS, Executive Dean of the Faculty of Engineering
(from 01/07/15)

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Principal's Report

This has been another excellent year for the University, in terms of both our academic outcomes and financial performance. I am delighted to share our achievements and recent progress with you. Our reputation as a leading international technological university has strengthened further through positive external assessment of our world-leading research, knowledge exchange, and teaching and learning achievements. Our Enlightenment era founding mission as 'a place of useful learning' is being delivered with energy, focus and increasing impact as we make it entirely relevant to 21st century society and economy.

The core synergy between our outstanding academic work and enhanced institutional financial results is epitomised in Strathclyde having remained a confident and strategic investing institution. Since 2009, we have invested more than £260 million as part of our 10-year £350 million plan to transform the estate. In 2015, we passed a significant milestone in that development when, in July of this year, Her Majesty the Queen and His Royal Highness Prince Philip opened our £89 million Technology and Innovation Centre (TIC). Also in 2015, we completed the refurbishment of the Strathclyde Business School, bringing the Faculty together in a single, specially-configured £23 million facility.

This followed on from previous investments in the Faculty of Engineering, with the James Weir Building seeing a £41 million upgrade; an investment of £21 million in our Advanced Forming Research Centre (AFRC); and £9 million in our Power Networks Demonstration Centre (PNDC); the Single Campus Project, which relocated staff from our Jordanhill Campus to the John Anderson Campus in upgraded facilities at a cost of £33 million; and investment in the Faculty of Science via a £12 million extension to the Department of Physics. Critical to our successful delivery of these projects has been our ability to leverage external support. The Technology and Innovation Centre, AFRC and PNDC were delivered with significant support from funders including Scottish Enterprise, the Scottish Funding Council and the European Union.

The University has also continued to make strategic staffing investments and, alongside our improving teaching and research physical infrastructure, this has paid substantial dividends in terms of our

revenue growth. In 2014/15 our total recurring income increased by 10.6% over the preceding financial year. This included growth across all major categories of income and, in particular, a very substantial increase in overseas tuition fee income, which grew to £35 million – an increase of 24% over the previous year.

Looking ahead, constraints on public expenditure are likely to present significant challenges for all Higher Education Institutions. Strathclyde will continue to be an investing institution, as we seek to further diversify our income sources and derive the financial capability necessary to invest in our bold strategy. Planned investments for the future include a new Sports, Health and Wellbeing Facility and further major investments in our teaching and learning facilities. Despite the challenging policy and financial conditions, this year we have realised overall institutional revenues of more than £280 million, including recurring research income of £56 million. Aligned to the growth we have achieved in research income and industry-sponsored activity, our postgraduate research student numbers have increased by some 250 over four years to over 1,500. Taken together, this represents a significant contribution to our research intensification agenda.

I am proud of the achievements of our staff and students across all of our four faculties and our professional services directorates. Their contributions and commitment to the Strathclyde journey lie at the heart of our ambitious new Strategic Plan, launched in August of this year. The confidence within our institution, underpinned by recent, positive research and education external assessment, is now acting as an accelerator for our global positioning and strategic growth agenda.

Since our last report, Strathclyde has been assessed for research quality and intensity. The University's performance in the UK Research Excellence Framework 2014 (REF-2014) saw us move up by 14 places in the rankings for GPA quality and we are now ranked in the top 20 UK institutions for research intensity. Our Department of Physics was rated UK number one in GPA quality, ahead of the Universities of Oxford and Cambridge and Imperial College. Our Business School achieved number one in Scotland and top 10 in the UK on GPA quality. Strathclyde's submissions in both Chemistry and Pharmacy & Biomedical Sciences were placed fourth in the UK power rankings and seven of our eight Engineering departments were ranked in the top 10 in the UK on research power, with four of them number one in Scotland. Our Faculty of Humanities and Social Sciences had excellent results in Government & Public Policy, Social Work & Social Policy and History.

Over the coming year, we will continue to influence the UK's scientific priorities and delivery of research and training, through our strategic partnership with the University of Surrey to provide leadership for the world-renowned National Physical Laboratory (NPL). Based in Teddington, Middlesex, NPL is a global centre of excellence in measurement and materials science, and our strategic leadership role is creating opportunities for collaboration with key industry partners and outstanding academic teams across the UK and internationally.

This acknowledgment of our research strengths complements the highest possible ratings we achieved for the quality of our teaching in the ELIR review in the last academic session. External recognition of our exemplary knowledge exchange activities came in the form of a double success at the 2015 Inspiring City Awards – a celebration of the people and organisations that are making a difference to the lives of people in Glasgow. For the second successive year, we won the Business and Industry award. In addition, we also won the Education award for our work in partnership with Scotland's Children's University. The Children's University connects children aged 7 to 14 – and their

families – to the opportunities that education and routes to university can provide to them.

In a similar vein, we have committed to a strategy to reinforce and expand our role as a 'socially progressive institution', not only in the context of positive impacts for those in Scotland's most challenged communities, the addressing of gender equality and diversity, but also in respect of our accreditation as a Living Wage Employer.

All of this has a positive impact on those at the very heart of our institution: our students. Our vision reflects the increasingly international nature of higher education, and the need to deliver a teaching and learning experience that allows our graduates to flourish in the global workplace. We have an overall satisfaction rating of 87% in the most recent National Student Survey, have continued to expand our student internship programmes, and 94% of our graduates are in work or further study six months after graduation.

The successful realisation of our strategic vision relies on the collective commitment of all our staff to the University's strategic priorities and targets. This is made all the more meaningful through the institution's values in being people-oriented, bold, innovative, collaborative, and ambitious.

Finally, I would like to take this opportunity to thank our staff and students for the tremendous contributions they have made, ensuring the past year has been one of which we can be truly proud. I am confident that we will build on this momentum in 2016 as we continue to deliver real value for Strathclyde, the city of Glasgow, and the global communities we serve.

Professor Sir Jim McDonald
Principal and Vice-Chancellor
26 November 2015



**OUR COMMITMENT TO
USEFUL LEARNING SHAPES
AND DEFINES OUR
ACADEMIC ENDEAVOUR**

Operating and Financial Review

VISION AND MISSION

Strathclyde's success as a leading international technological university and a 'place of useful learning' is the measure for our success as an institution. Of equal importance is the fact that the realisation of this vision will determine our success in delivering benefit to Scotland and the wider world by means of the impact of our research, our innovation and our graduates.

Our commitment to useful learning shapes and defines our academic endeavour across research, knowledge exchange and the delivery of learning and teaching. In pursuit of this vision we have set out ambitious targets in our *Performance Development Framework* which focuses on the five strategic themes outlined in the diagram below.



With a new Strategic Plan 2015-2020 launched in July 2015 this will be our final review against this structure and the performance measures listed above. Our new plan retains the current mission, vision and broad overall structure with a view to building on recent successes, but has refined and focused our targets in the form of 16 key performance indicators as we look to further drive our academic performance, consolidate and build upon our strong financial position and enhance and extend our global reputation. However, in reflecting on the financial year in question, the remainder of this section provides a review of progress across each of the major elements in the University's *Performance Measurement Framework*.

Operating and Financial Review continued

RENOWNED RESEARCH QUALITY AND INTENSITY

Strategic context

The University's ambition to increase its research quality and intensity is integral to its reputation as a leading international technological university. With genuinely ambitious targets in this area we have made significant progress over recent years in what is an increasingly competitive environment.

Our distinctive mission and our focus on partnership with industry and international partners has played a significant part in our success against a backdrop of declining real term Scottish and UK public funding for research.

Performance measures

Our performance measures under this strategic theme are to:

- Monitor our proportion of 3* and 4* outputs
- Double research spend by 2016/17
- Double the number of grant Principal Investigators by 2016/17
- Secure international research grants with a total value of >£5 million by 2014/15
- Increase our postgraduate research (PGR) population towards 1,600 by 2015/16

Progress/Activity

The University's results in the Research Excellence Framework exercise announced in December 2014 represented a major vindication of the strategies we have been pursuing. The highlight was undoubtedly our Physics department being recognised as the UK's research leader, but beyond this the overall spread of improvement saw Strathclyde placed firmly amongst the UK's top twenty universities in terms of research intensity.

Further growth in recurring research income achieved has seen this rise to a total of £56.5 million, representing five years of year-on-year growth and an overall increase of 54.3% over this period. In line with our strategy we have seen this

growth underpinned by an increase in the number of Principal Investigators awarded grants (up 23% on 2013/14) and a continued focus on industry income, which now totals £10.7 million. We have also met our target to grow our international research grant award value having secured £6.2 million against a £5.0 million target.

Aligned to this growth in research income and industry sponsored activity our postgraduate research student headcount numbers have increased by some 250 over four years to top 1,500 in this year. Overall performance in this area has made a significant contribution to our research intensification agenda. Strathclyde is well placed in terms of opportunities for continued growth in this area. The formal opening of our flagship Technology and Innovation Centre and the University's selection by the Department for Business Innovation & Skills (BIS) played a leading role in managing the development of the National Physical Laboratory's present opportunities for a further step change in our engagement with industry.

Risks

Whilst the University has had considerable success and the pipeline of income from research grants already won is strong, further growth in this area will undoubtedly require continued focus. Continuing our historically strong performance in securing EU framework programme funds will be one element of this. It is clear that the quantum of public funding available to support research is, at best, likely to decline in real terms and so the further development and expansion of our relationships with business and industry will become increasingly important for the support of postgraduate research students as well as research income growth. In light of this a new KPI in the recently published Strategic Plan 2015-2020 focuses specifically on income growth in this area. Whilst the REF results will see financial benefit flow from the Scottish Funding Council (SFC) via the University's Research Excellence Grant allocation, the outcome of the current review of SFC's

Operating and Financial Review continued

Knowledge Transfer Grant and the Council's indication of a move away from formula funding has potential implications for Strathclyde given the significant share of total funding Strathclyde secures under the current arrangements.

EXEMPLARY KNOWLEDGE EXCHANGE AND IMPACT

Strategic context

Knowledge Exchange is central to the University's mission to create useful learning of benefit to society and which can contribute to economic, social and cultural wellbeing. In a time of increasing global competition and where multinationals are able to shift Research and Development budgets between countries, our focus and unique collaborative approach of bringing together competing companies and supply chain partners to address industry challenges has proved critical to our work in this area.

Performance measures

Our performance measures under this strategic theme are to:

- Double consultancy income by 2016/17
- Monitor our position in the UK for Knowledge Transfer Partnership involvement
- Double Continuing Professional Development (CPD) income by 2016/17
- Monitor number of spin-outs per annum
- Increase licensing income towards £2 million by 2015/16

Progress/Activity

The TIC was completed in March 2015 and is now fully commissioned and operational with 20 research groups and over 650 academic staff, industry partners, researchers and postgraduate students hosted in the new building. The Centre was officially opened by Her Majesty the Queen on 3 July 2015, representing a significant milestone in the history of the University, and for the project and its many stakeholders and partners.

This is a hugely significant step for the University and will further increase our opportunities to collaborate with key industry partners co-located with us as well as driving direct financial benefit through the state of the art conference facilities which have been in high demand since opening. Similarly, our role in developing the National Physical Laboratory will become a critical vehicle for our industry engagement and enable us to extend our network of collaborators, access state of the art facilities and enhance our work in translating our research into genuine economic impact.

Other successes have seen us retain our position in the UK top five institutions undertaking Knowledge Transfer Partnerships with Industry, with 25 such funded partnership awards. In keeping with the centrality of this strand of our role in delivering 'useful learning' we have continued to increase the number of staff in our Knowledge Exchange (KE) staff category (launched in October 2012), which remains unique among UK universities. There are now nearly 80 KE staff and 23 staff have achieved promotion through this KE career pathway. Financially we have continued to grow our consultancy income which increased by 28.0% in 2014/15, whilst our CPD income grew by 14.3%. We have also spun out three additional companies and generated £0.6 million from licensing in the course of the last year.

In addition to our work with leading multinationals we have continued to take a co-ordinated approach to SME engagement which has at its heart our Engineering and Physical Sciences Research Council (EPSRC) funded Impact Acceleration Account (IAA) and the European Regional Development Fund (ERDF) funded Encompass programmes.

In 2014/15, our Hunter Centre for Entrepreneurship also launched the SME Growth Advantage Programme (GAP), a specially designed 10 month business acceleration programme enabling entrepreneurs and growth focused business owners to gain business insights, management skills and know-how.

Operating and Financial Review continued

Risks

With companies continuing to face global competition and increasing options in terms of universities they partner with for research and development and CPD support, this continues to be a highly competitive area. Continuing to deliver and develop our industry cluster centre model and apply this in new ways in other fields (e.g. public policy), such that we are in a position to secure longer-term contracts with multiple partners will be critical to the development of relationships with a range of companies, supply chains, government and others.

OUTSTANDING TEACHING AND STUDENT EXPERIENCE

Strategic context

The University of Strathclyde is committed to widening access and ensuring that its education provision challenges and supports students in order that they can realise their full potential. Our goal is that our provision equips our graduates with essential skills for life and our teaching is appropriate and responsive to the needs of both the learner and the employment market. The National Student Survey, the divergence in UK higher education policy funding and the growth of national and international rankings has led to a highly competitive environment for student recruitment with the delivery of a high-quality student experience, good retention rates and positive graduate outcomes essential characteristics for a successful and attractive university.

Performance measures

Our performance measures under this strategic theme are to:

- Increase college entrants by 30% by 2015/16
- Increase entrants from Scottish Index of Multiple Deprivation 0-40 areas by 15% by 2015/16
- Monitor the impact of innovative approaches to learning, teaching and support on undergraduates' personal development via student satisfaction with related NSS questions
- Monitor student retention rates

- Monitor the proportion of our graduates in work or further study in relation to our benchmark

Progress/Activity

The University continues to seek to improve across this broad range of activity and deliver a distinctive, resonant and relevant student experience. In pursuing this goal, recent achievements of note over the twelve months to July 2015 have included:

- The University remains on target to deliver the planned 30% increase in college entrants by 2015/16, with the total number of such entrants exceeding 340 in the year in question.
- We remain the Scottish research intensive university with the largest number of entrants from the 40% most deprived areas in Scotland. The number of entrants to the University's undergraduate courses in 2014/15 was 917, some 230 higher than in the 2011/12 baseline year.
- Our performance in overall NSS satisfaction is broadly similar to the previous year (-2). Assessment and Feedback results remain an area for improvement and a new approach to data analysis is informing a cross-institution improvement plan, to be monitored through our senior Education committees and involving all Department/School leads.
- The University's 2013/14 (the most recent year for which comparator data is available) undergraduate retention rate of 93.0 per cent is 1.7 per cent higher than the Scottish sector average of 91.3 per cent. This represents an increase of 2.3 percent compared to the 90.7 per cent for entrants retained in 2009/10.
- Our innovative Engineering Academy, funded by the SFC and delivered in collaboration with our partner colleges, where students study in their first year and benefit from support from industry as they study, has been shortlisted for a Times Higher Education award in the category of Widening Participation or Outreach Initiative of the Year.
- More than 91% of our graduates are in work or further study six months after their graduation.

Operating and Financial Review continued

Risks

It is critical that we maintain and continue to develop a high quality and cost effective academic portfolio and student experience that is attractive to future students, funders and key external stakeholders. To do so will attract applicants, enhance student satisfaction and increase opportunities for collaborative work with external partners, thereby increasing revenue streams, the University's position in the NSS, graduates' chances of securing graduate-level employment and the University's reputation. To fail to do so will have adverse consequences across all these areas.

THRIVING INTERNATIONAL PROFILE AND REPUTATION

Strategic context

The University of Strathclyde is committed to enhancing its reputation as a leading international technological university – our vision in this area is to have an international outlook in all we do. This reflects the increasingly international nature of research, scholarship and higher education, but also the need to deliver a teaching and learning experience which equips our graduates to flourish in the global workplace.

Performance measures

Our performance measures under this strategic theme are to:

- Establish at least eight high value international academic partnerships in order to address 'grand challenges' by 2016/17
- Monitor the diversity of our international student population
- Monitor the proportion of staff who are international
- Increase the number of international entrants via articulation routes by at least 50% by 2014/15

Progress/Activity

We have continued to develop and enhance our partnerships with our six Priority International Strategic Partners, all with world-leading universities. Our existing relationship with New York University (NYU) has further developed and the President of Nanyang Technological University (NTU) visited

the University in July, to consider the first annual review of the Joint Framework Agreement, and to further advance the engagement. Existing strong links with Stanford University were enhanced, notably with the Precourt Institute for Energy, with the Director also visiting the University. Significant progress was also made in the engagement with the Massachusetts Institute of Technology (MIT), with new joint activities now underway. The relationship with Tsinghua University moved more slowly, but has recently accelerated with a Joint Seminar on Innovation being convened in Beijing in 2015/16. The engagement with the Hong Kong University of Science and Technology (HKUST) remains strong and the President will visit the University in November to further advance the relationship.

Our international student diversity has continued to increase as our overall population of such students has grown. In 2014/15 the five largest sending countries accounted for 52% of this population as compared to 59% in 2011/12. As part of a wider growth in our international numbers, articulating international students numbered over 250 representing an increase of 27% on the previous year. Just as our student population becomes more internationally diverse, so too does our staff body with 35% being international compared to 31% in 2011/12.

Risks

The increasing global competition for research and development funding, the significant investments growing economies are making in their higher education sectors, the rise of teaching in English across the world and the high degree of mobility of international students all represent significant risks to this strategic theme. The University's reputation and maintaining its relationships with leading universities will be critical in mitigating risk in this environment. In addition, significant changes to the student visa regime or the perceived attraction of Scotland/the UK as a destination for students represent a risk. Any of these could potentially have an adverse impact on student enrolments, student satisfaction, the University's position in the NSS, graduate employment and

Operating and Financial Review continued

the University's reputation with related financial consequences.

OPERATIONAL EXCELLENCE

Strategic context

Ensuring that we operate in the most effective and efficient way is vital to maximising the impact of the funding we receive – something critical to the University's social impact and therefore at the heart of our strategy. Regardless of this, efficiency and effectiveness represent a key area of focus for our funders with year-on-year efficiency gains specified in our teaching funding from SFC, annual efficiency returns required by the Scottish Government and the Diamond Review providing a UK focus in this area. In this context, maximising the efficiency of the investments in our estate, our people and our systems is critical in order to create sufficient headroom for continued growth and investment.

Performance measures

Our performance measures under this strategic theme include:

- Achieve Athena SWAN silver award
- Monitor the number of staff attendances at facilitated learning and development events

Progress/Activity

The University has been successful in progressing efficiency across its broad range of activities. Activities and outcomes of particular note have included:

- The University was the winner in the Continuous Improvement: Institutional Change category of the UK Green Gown Awards, in recognition of Strathclyde's progress in sustainability, including waste mass reduction of 22% and fewer than 20% of road journeys being made in vehicles with one occupant.

- Two further bronze departmental Athena SWAN awards were achieved for Chemical & Process Engineering and Mathematics & Statistics, bringing the total of departmental awards to six (second highest number of departmental Athena SWAN awards amongst Scottish institutions as of the close of 2014/15 academic year).
- The number of staff enrolments at centrally delivered learning and development events has increased from 4,022 in 2013/14 to 9,381.

Risks

Failure to improve effectiveness and efficiency will mean that we are not fully able to realise our strategic growth and investment plans. Failure to operate as effectively and efficiently as our competitors will lead to a relative competitive disadvantage and compromise our ability to demonstrate value for money, to generate sufficient funds for future investment and to secure third party funding.

**STRATHCLYDE HOLDS
ATHENA SWAN BRONZE AT
AN INSTITUTIONAL LEVEL**



Operating and Financial Review continued

	2015 Recurring £M	2015 Non-Recurring £M	2015 Total £M	2014 Total £M
Summary I&E				
Income	281.3	9.0	290.3	254.4
Expenditure	(273.4)	-	(273.4)	(248.0)
Surplus before exceptional items	7.9	9.0	16.9	6.4
Gains on disposal of fixed assets	-	0.6	0.6	0.8
Other	-	-	-	0.1
Taxation	-	(2.0)	(2.0)	-
Surplus for the year	7.9	7.6	15.5	7.3
Cash and borrowings				
Cash and short term investments			105.5	65.5
Borrowings			(95.7)	(27.2)
			9.8	38.3
Capital expenditure			56.5	94.0

Overview

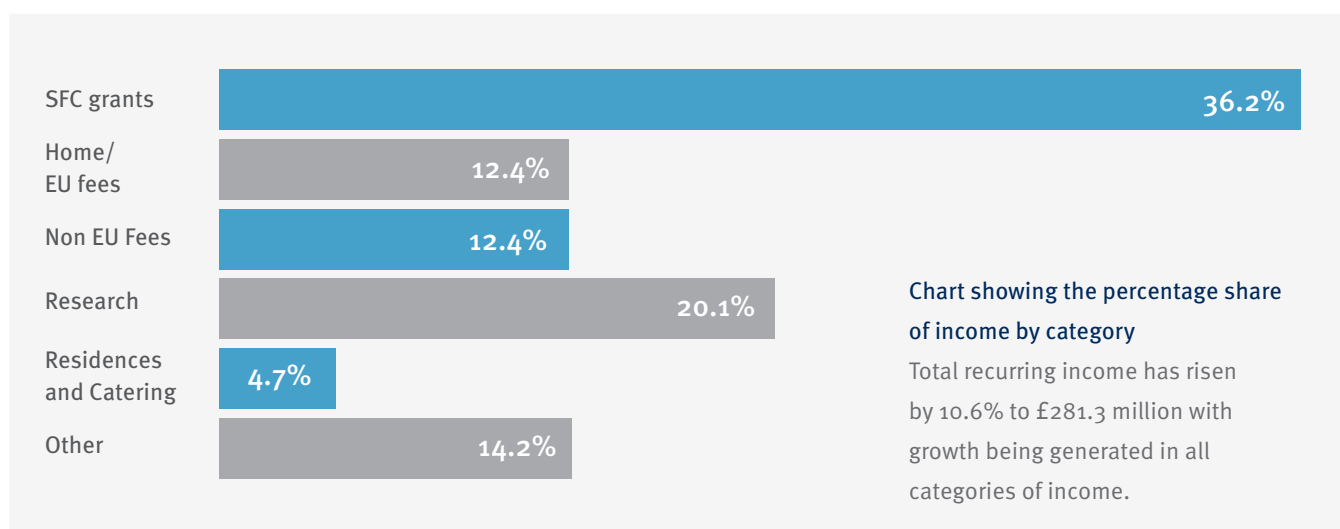
2014/15 has been another positive year for the University in financial terms. Recurring income has grown by 10.6% to £281.3 million whilst expenditure has risen by 10.2% to £273.4 million. This has resulted in an operating surplus of £7.9 million from recurring activities.

The results for the year are also impacted by two significant non-recurring items. The University received £9.0 million of Research and Development Expenditure Credits for the period 1 April 2013 to 31 July 2015 which, after taxation, resulted in net proceeds of £7.0 million. In addition, a gain on disposal of fixed assets (£0.6 million) has arisen following the disposal of investments in two spin out companies, providing an overall surplus for the year of £15.5 million.

Investment in the University estate and infrastructure in 2014/15 totalled £56.5 million. Notwithstanding capital investment totaling over £150 million in the past two years, the University's net funds totalled £15.4 million at the year end.

During the year, the University drew down the balance of its £90 million facility with the European Investment Bank (EIB), which is in place to provide funding for a range of projects including the Technology & Innovation Centre and the refurbishment of a number of key campus locations. The University remains very well placed in terms of financial strength to continue to make significant investments in pursuit of its strategic goals.

Operating and Financial Review continued



Income

Income from SFC grants increased by 5.2% to £101.8 million, largely due to growth of £1.8 million (2.9%) in the recurrent teaching grant and £2.7 million in strategic funding. Following a competitive bidding process in 2013, the University was awarded additional strategic undergraduate and postgraduate places. These attracted additional income of £1.2 million in 2014/15. Key increases in strategic funding include UK Research Partnership Infrastructure Fund (RPIF) funding (£1.4 million) for the national facility for Continuous Manufacturing and Crystallisation (CMAC) Research for Pharmaceutical Products, funding of the Fraunhofer Centre for Applied Photonics (£0.8 million) and increased funding of the Industrial Biotechnology Innovation Centre (IBiolC) (£0.7 million).

Tuition fee income has risen by £9.8 million (12.8%) to £85.9 million. Income from credit bearing courses has risen by £8.9 million with the most significant growth arising from postgraduate taught overseas fees. Fee income from non-EU students now equals the fee income from students within the UK and EU. Overseas fee income has risen by £6.7 million (23.6%) with a further £2.2 million growth in income from home, EU and RUK students.

Recurring income from Research Grants and Contracts has increased by 8.3% from £52.2 million to £56.5 million, with Research Council UK (RCUK) and European funding contributing significantly to this increase.

Notable new awards from RCUK during 2014/15 included funding for the Department of Physics, which had significant success in attracting funding as part of the EPSRC Quantum Technology Hubs.

Other Income has risen by 24.7% to £33.3 million largely due to growth in income from residences and catering, and consultancy.

The increase of £1.2 million in endowment and investment income is largely attributable to the FRS17 accounting adjustment for the Strathclyde Pension Fund (SPF), which reflects the difference between the expected return on scheme assets and the interest cost for the year. In 2014/15 there was a net return of £2.3 million (2013/14 £1.1 million). Whilst this net return on assets has increased the surplus for the year by £2.3 million, this has been offset, to some extent, by actuarial changes reflected through the Statement of Total Recognised

Operating and Financial Review continued

Income (continued)

Gains and Losses. Overall the SPF pension liability has decreased by £1.1 million.

Expenditure

Overall, salary costs have increased by £6.2 million (4.4%). This is primarily attributable to nationally negotiated pay awards, higher expenditure on research contract staff and investment in strategic staffing appointments.

Other operating expenses have increased by 15.5% to £100.2 million reflecting increased expenditure in academic departments, notably due to investment in a number of research facilities, greater research and studentship expenditure and greater investment in our infrastructure.

Following significant investments in our infrastructure, depreciation and interest payable costs have risen by £5.0 million and £0.7 million respectively.

Investments in infrastructure

Considerable progress has again been made this year towards the University's ten year plan to invest £350 million in transforming our estate. Capital investment in land and buildings during the year totalled £42.3 million.

Construction of the University's Technology & Innovation Centre was completed during the year, creating a flagship building for Strathclyde's collaborative work with industry. The landmark £89 million centre, which was formally opened by Her Majesty The Queen on 3 July 2015, is the University's largest single investment in research infrastructure to date. It will transform the way academics collaborate with business, industry and the public sector to bring global competitive advantage to Scotland and the UK. The leading-edge centre is the home of academics and their industrial partners responding to global challenges in areas such as health, energy, manufacturing and the development of future cities.

Facilities for the Strathclyde Business School have been transformed through a £23.2 million investment to create a single, state-of-the-art building. Bringing the entire faculty together in a single business quarter will provide first-class facilities for our staff and students enabling the School to build upon its strengths in research, teaching and collaborative ventures. Investment in 2014/15 totalled £15.4 million.

The University has embarked on a five year programme of capital investment and modernisation of its residences. Work commenced in four residences resulting in a capital investment of £2.1 million during 2014/15.

Physicists in the John Anderson building are being supported by an £11.9 million refurbishment project to develop leading-edge facilities for advanced laser and plasma physics research. Investment in 2014/15 totalled £1.6 million.

Following the fire which took place in February 2012, the James Weir building, the University's Engineering building, has been extensively remodelled and refurbished. Students and staff are benefiting from an extensive refurbishment throughout the eight-floor building, creating bright, dynamic spaces for leading-edge teaching and research. Investment in 2014/15 totalled £1.2 million.

Net funds and cash flow

At 31 July 2015 net funds totalled £15.4 million (2014 £43.7 million). Some £13.0 million of cash was generated from operations. Further details on cash flow movements are given in Notes 25 to 31 of the Financial Statements.

Operating and Financial Review continued

Investment performance

The University's investment portfolio includes the investment of endowment funds shown in Note 22 and a general portfolio of investments which are intended to be held for use on a continuing basis in the activities of the University. The investment portfolios are managed by professional fund managers under discretionary management arrangements. Investment performance is reviewed annually with the fund managers by reference to agreed benchmarks.

The total value of fixed asset investments and endowment assets increased by £2.8 million during the year.

Treasury management

The University actively manages its cash balances in accordance with the Treasury Management Code of Practice approved by Court. 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.

Court considers 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 forecast operating performance and planned developments within the Estates Strategy.

The University has a £90.0 million banking facility with the European Investment Bank which has provided funding for a range of capital developments including the Technology and Innovation Centre and the refurbishment of a number of key campus locations.

Disability Policy

The University is committed to promoting opportunities for staff and students with disabilities. This covers recruitment, appraisal and training opportunities, support, awareness training for staff, implementation, monitoring, and a complaints procedure.

The University employs a Disability Service Manager and a team of disability advisers who work to improve access and inclusion of students with disabilities.

Equality and Diversity Policy

The Equality and Diversity Policy outlines the University's commitment and approach towards promoting equal opportunities for staff and students with protected characteristics, including disabled people.

The University has an ongoing programme of expenditure to ensure it meets the requirements of the Public Sector Equality Duty and the Equality Act 2010. The University also employs an Equality and Diversity Manager who works to promote the equality of opportunities for staff and students with protected characteristics as defined by the Equality Act 2010.

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 £17.1 million. Given that the University paid a total of £142.0 million to trade creditors during the year, the amount outstanding at the year end represents 44 days (2013/14 39 days). Whilst the figures in both years are higher than normal, this is not due to any delay in making payment to creditors but is attributable to the exceptional level of capital creditors at 31 July in both years.

During the year no interest was paid in relation to the Late Payment of Commercial Debts (Interest) Act, 1998.

Operating and Financial Review continued

Looking to the future

Growth in non-governmental income remains a key priority, particularly as the University faces the costs of servicing its additional borrowings and pressures on salary costs, including increases in National Insurance and Pension contributions, at the same time as it faces a challenging funding outlook particularly in terms of future government funding. The University continues to grow non-governmental income through important investments in strategic staffing appointments and physical and IT infrastructure. Our new Technology & Innovation Centre opens doors to new areas of research, innovation and technology development, all aimed towards creating new possibilities, new levels of dynamic collaborations and productive outcomes. This, together with other developments such as our collaboration with the National Physical Laboratory will provide further opportunities for growth.

J S Perry

Treasurer

26 November 2015

D Coyle

Chief Financial Officer

26 November 2015



Statement of Corporate Governance and Internal Control

The University is committed to 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 Scottish Code of Good Higher Education Governance. The University was in full compliance with the Code's principles during the 2014/15 academic year. In addition to this compliance, the University took the opportunity throughout 2014/15 to continually monitor and enhance the effectiveness and transparency of its governance arrangements through a range of actions. 2014/15 was also the first full year of operation for a number of changes to governance arrangements made in the previous year. Collectively, these included:

- Enhancements to reporting arrangements and the effectiveness of the decision-making process through the implementation of a revised Schedule of Delegated Authority from 1 August 2014.
- The use of the 'Court intermediary' (following appointment in June 2014) to provide a mechanism for confidential feedback on the Convener's performance as part of the annual Court survey and self-appraisal (an externally-facilitated review of Court's effectiveness is planned for summer 2017, in line with the requirements of the Code).
- The continued publication of Court agendas, papers and minutes, except when matters of individual confidentiality, the wider interest of the University, or the public interest demands.
- The on-going review and amendment of Court's Register of Interests, including the interests of senior officers closely associated with Court.
- Provision of an induction for new members of Court in 2014/15, the opportunity to participate in Leadership Foundation training for governors of Scottish higher education institutions and the regular provision of information on on-going development opportunities.
- As in recent years, running an open and transparent external recruitment exercise during 2014/15 in order to fill a vacant lay member position on Court. This process was managed by the Court Membership Group (which includes staff and student Court members) with consideration given to the balance of skills and experience of existing Court members.
- Publication of 2014/15 attendance rates of members at meetings of Court and its main committees.
- The consideration and approval by Court of a 2014/15 Operating Plan.
- The approval by Senate and Court to formalise two long-standing student representatives as full members of the University Senate (prior to this, student representatives had attended Senate meetings regularly and contributed to discussions but were not full members).
- Publication on the University website of biographies of Court members and the terms of reference of key committees.

Statement of Corporate Governance and Internal Control continued

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.

Court has a majority of lay members and includes members of academic staff, professional services staff and two student members. 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 2014/15 Court met five 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.

A number of training opportunities were made available to Court members over the course of the year, with members attending the following:

- Leadership Foundation for Higher Education 'Student as Governor' training course (11 September 2014)
- Leadership Foundation for Higher Education 'Being an effective Governor (Scotland)' training course (14 November 2014).

Court Business Group

The Court Business Group considers the business coming forward to Court in order to ensure that Court receives the information it needs to take clear, effective decisions. It also considers strategic financial matters prior to their discussion at Court.

Staff Committee

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

Remuneration Committee

The Remuneration Committee determines the remuneration of the most senior staff, including the Principal, and is chaired by a senior Lay Member of Court. The Remuneration Committee's terms of reference are made available on the University's website.

Court Membership Group

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

Statement of Corporate Governance and Internal Control continued

on other University committees. A number of lay members are appointed to Court by external bodies.

In 2014/15, the University undertook a recruitment exercise for one new Lay Member of Court. This was conducted by means of open advertisement and in accordance with the requirements of the Scottish Code of Good Higher Education Governance.

Audit Committee

The Audit Committee plays a key role in assisting Court review the arrangements for internal control and risk management. It normally meets five 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.

Estates Committee

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

Executive Team

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 also responsible for monitoring the implementation of major strategic developments and regularly reviewing the overall University strategy. The Executive Team is chaired by the Principal, who is responsible for the general supervision of the University. The membership comprises all the Senior Officers, including Executive Deans. In 2014/15 it met on a fortnightly basis.

Effectiveness Review

Court continues to keep its effectiveness under regular review, including assessing its compliance against the new Scottish Code of Good Higher Education Governance throughout the academic year and implementing changes where necessary. This has included a formal survey of all Court members and individual meetings with the Convener in order to highlight examples of good practice and identify potential areas for improvement. Subsequent actions to deliver improvements are considered by Court.

Risk Management

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

Statement of Corporate Governance and Internal Control continued

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 October 2014 and April 2015 meetings, 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 2014. 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.

Statement of internal control

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 keeps issues of control and risk under review and receives reports thereon from both the Executive Team and the Audit Committee. This includes reviewing quarterly Business Reports, which provide information on financial performance and reviewing mitigating actions and the selection of top risks within the Corporate Risk Register.

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.

Conclusion

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 2015 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
26 November 2015

Statement of Primary Responsibilities of the University Court

Under the terms of the University Charter, 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. 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. Court is responsible for safeguarding the University's good name and values.

Audited Financial Statements

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 Court 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 Accounting Officer 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.

Statement of Primary Responsibilities of the University Court continued

Court's Primary Responsibilities, as approved by the University Court on 1 May 2014, are detailed as follows:

Staff and students

- To be the employing authority for all staff within the University and to make such provision as it thinks fit for their general welfare;
- To appoint the Principal and Vice-Chancellor of the University, including the term and conditions of such appointment, and to put in place suitable arrangements for the monitoring of his/her performance – both the appointment and monitoring of performance of the Principal shall include consultation with all members of Court;
- To appoint a Chief Operating Officer and to ensure that he or she has separate lines of accountability for the provision of services to the Court as University Secretary, for the administration of the University and for the fulfilment of managerial responsibilities within the institution;
- To ensure the quality of educational provision within the University;
- To make such provision as it thinks fit following consultation with the Senate, for the general welfare of its students;

Financial responsibilities

- To ensure the solvency of the University and to safeguard its assets;
- To act as trustee for any property, legacy endowment, bequest or gift in support of the work and welfare of the institution;
- To approve the University's annual financial statements;
- To ensure that proper books of accounts are kept in accordance with all relevant regulations and codes of conduct;
- To ensure the proper use of public funds awarded to the University and to ensure that the terms of the Financial Memorandum with the Funding Council are observed;
- To approve the main annual budgets within the University;
- To ensure appropriate arrangements for the economic, efficient and effective management of the University's resources and expenditure;

Strategic responsibilities

- To approve the mission statement of the University and all its strategic plans including its aims for the teaching and research of the institution and identifying the financial, physical and staff requirements required to achieve these, and for ensuring that these meet the interests of stakeholders;
- To approve a financial strategy for the University, as well as long-term business plans;
- To approve an estates strategy for the management, development and maintenance of the University land and buildings in support of institutional objectives;
- To approve a human resource strategy and to ensure that appropriate development and reward arrangements are in place for the employees and that these are appropriate to the needs of the institution;

Statement of Primary Responsibilities of the University Court continued

Controls

- To ensure that systems are in place for meeting all the University's legal obligations, including those arising from contracts and other legal commitments made in the University's name;
- To ensure compliance with the University's Charter, Statutes, Ordinances and Regulations, as well as all UK and EC legislation where applicable;
- To be responsible for the form, custody and use of the University's Common Seal;
- To make clear and to review regularly the executive authority and other powers delegated to the Convener of Court, the Principal and Vice-Chancellor, to other senior officers and to all bodies of the University including the Senate and committees of Court;
- To ensure that systems are in place for the assessment and management of risk, to regularly review such matters and to conduct an annual assessment;
- To establish and monitor effective systems of internal control and accountability throughout the University;
- To ensure that appropriate arrangements are in place for external and internal audit;
- To ensure that appropriate arrangements are in place for the proper management of health and safety in respect of students, staff and other persons on University premises or affected by University operations;

Monitoring performance and effectiveness

- To monitor the University's performance against its strategic plan and key performance indicators, and to benchmark the University's performance against other comparable institutions;
- To monitor and review the performance and effectiveness of the Court itself and other University committees;
- To ensure, through the appointment of lay members in accordance with the University Statutes, a balance of skills and expertise amongst the membership of Court, such as is required to meet its primary responsibilities;
- To ensure that the proceedings of Court are conducted in accordance with best practice in higher education corporate governance and with the principles of public life drawn up by the Committee on Standards in Public Life;
- To ensure that procedures are in place within the University for dealing with internal grievances, conflicts of interest and public interest disclosure.

Independent Auditor's 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 2015 which comprise the Income and Expenditure Account, the Statement of Total Recognised Gains and Losses, the Balance Sheet, the Cash Flow Statement and the related notes 1 to 34. 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; and in accordance with section 44(1)(c) of the Charities and Trustee Investment (Scotland) Act 2005 and regulation 10 of the Charities Accounts (Scotland) Regulations 2006 (as amended). Our audit work has been undertaken so that we might state to 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 pages 21 to 23, the University Court is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

We have been appointed as auditors under the Charter and Statutes of the University and also under section 44(1)(c) of the Charities and Trustee Investment (Scotland) Act 2005 and report in accordance with regulations made under that Act. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Independent Auditor's Report to the University Court of the University of Strathclyde continued

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 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 Principal's Report, 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 University's affairs as at 31 July 2015 and of the surplus of income over expenditure and the cash flows for the year then ended;
- have been properly prepared in accordance with the Statement of Recommended Practice: Accounting for Further and Higher Education;
- have been prepared in accordance with the requirements of the Charities and Trustee Investment (Scotland) Act 2005 and the Charities Accounts (Scotland) Regulations 2006 (as amended).

Opinion on other matters prescribed by applicable regulations

In our opinion:

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

Matters on which we are required to report by exception

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

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

Ernst & Young LLP

Statutory Auditor

Glasgow

26 November 2015

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

Income and Expenditure Account

for the year ended 31 July 2015

	Note	2015 £000	2014 £000
Income			
Funding Council grants	2	101,796	96,769
Tuition fees and education contracts	3	85,936	76,163
Research grants and contracts	4	65,473	52,184
Other income	5	33,270	26,686
Endowment and investment income	6	3,788	2,575
Total income		290,263	254,377
Expenditure			
Staff costs	7	145,395	139,210
Other operating expenses	9	100,243	86,773
Depreciation	9	26,715	21,743
Interest and other finance costs	8	997	288
Total expenditure	9	273,350	248,014
Surplus after depreciation of assets at cost and before taxation		16,913	6,363
Taxation	10	(1,957)	-
Surplus before exceptional items		14,956	6,363
Exceptional items	11	574	830
Surplus after depreciation of assets at cost and disposal of assets		15,530	7,193
Transfer (to)/from accumulated income in endowment funds		(33)	130
Surplus for the year	23	15,497	7,323

The income and expenditure of the University relates 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 Total Recognised Gains and Losses

for the year ended 31 July 2015

	Note	2015 £000	2014 £000
Surplus on continuing operations		15,530	7,193
Appreciation on revaluation of fixed asset investments	13,23	524	9
Appreciation of endowment assets	22	1,756	133
New endowments	22	65	197
Actuarial loss in respect of pension scheme	23	(1,021)	(9,608)
Total recognised gains/(losses) relating to the year		16,854	(2,076)
Reconciliation			
Opening reserves and endowments		138,617	140,693
Total recognised gains/(losses) for the year		16,854	(2,076)
Closing reserves and endowments		155,471	138,617

Balance Sheet

as at 31 July 2015

	Note	2015 £000	2014 £000
Fixed assets			
Tangible assets	12	324,267	294,480
Investments	13	11,227	10,286
		335,494	304,766
Endowment assets	14	28,894	27,040
Current assets			
Surplus assets for disposal	15	16,765	16,765
Stock		208	201
Debtors	16	23,834	14,756
Investments	17	-	5,000
Cash at bank and in hand		105,472	60,480
		146,279	97,202
Creditors: amounts falling due within one year	18	(76,013)	(84,051)
Net current assets		70,266	13,151
Total assets less current liabilities		434,654	344,957
Creditors: amounts falling due after more than one year	19	(94,140)	(25,740)
Provisions for liabilities	20	(7,521)	(8,362)
Net assets excluding pension liability		332,993	310,855
Net pension liability	32	(23,781)	(24,913)
Net assets including pension liability		309,212	285,942

Balance Sheet

as at 31 July 2015 continued

	Note	2015 £000	2014 £000
Deferred capital grants	21	153,741	147,325
Endowments			
Expendable	22	867	960
Permanent	22	28,027	26,080
		28,894	27,040
Reserves			
Income and Expenditure Account excluding pension reserve	23	148,555	135,065
Pension reserve	23	(23,781)	(24,913)
Income and Expenditure Account Including pension reserve		124,774	110,152
Revaluation reserve	23	1,803	1,425
		126,577	111,577
Total Funds		309,212	285,942

The Financial Statements were approved by the University Court on 26 November 2015, and signed on its behalf by:

Professor Sir J McDonald
Principal and Vice-Chancellor

J S Perry
Treasurer

D Coyle
Chief Financial Officer

Cash Flow Statement

for the year ended 31 July 2015

	Note	2015 £000	2014 £000
Net cash inflow from operating activities	25	13,028	17,495
Returns on investments and servicing of finance	26	508	1,331
Capital expenditure and financial investment	27	(41,766)	(61,139)
Management of liquid resources	28	5,000	25,000
Financing	29	68,520	18,620
Increase in cash in the year		45,290	1,307
Reconciliation of net cash flow to movement in net funds			
Increase in cash in the year		45,290	1,307
Change in short term deposits	28	(5,000)	(25,000)
Change in debt	29	(68,520)	(18,620)
Change in net funds		(28,230)	(42,313)
Net funds at 1 August		43,654	85,967
Net funds at 31 July	30	15,424	43,654

Notes to the Financial Statements

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, in accordance with applicable Accounting Standards and in accordance with the Accounts Direction issued by the Scottish Funding Council.

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

The Financial Statements of subsidiary undertakings (note 13) have not been consolidated with those of the University on the basis that the amounts involved are not material.

The 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 contributions 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 participates in 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).

The assets of USS and STSS are held in separate trustee-administered funds. Because of the mutual nature of the schemes, the schemes' assets are not hypothecated to individual institutions and scheme wide contribution rates are 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 schemes on a consistent and reasonable basis and, therefore, as required by FRS17 'Retirement Benefits', 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.

1. Principal Accounting Policies continued

The expected cost of providing pension benefits to employees contributing to SPF is recognised in the Income and Expenditure Account on a systematic basis over their expected average lives. Pension scheme assets are measured using market value. Pension scheme liabilities are calculated 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 recognised in either the Income and Expenditure Account or 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 over 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.

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.

1. Principal Accounting Policies continued

Equipment continued

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.

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.

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 Part 1, Chapter 2, Section 7 of the Charities and Trustee Investment (Scotland) Act 2005, and is considered to pass the tests set out in Paragraph 1 of Schedule 6 to the Finance Act 2010 and therefore it meets the definition of a charitable company for UK Corporation tax purposes.

Accordingly, the University is potentially exempt from taxation in respect of income or capital gains received within categories covered by Section 287 of the Corporation Tax Act 2009 and Sections 471 and 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 similar exemption in respect of Value Added Tax.

2. Funding Council grants

	2015 £000	2014 £000
General Fund – Teaching	64,627	62,814
General Fund – Research and Knowledge Exchange	23,380	23,123
Release of deferred capital grants	7,340	5,575
Strategic funding	4,421	1,717
Ring-fenced grants funded by Scottish Government	1,282	973
Other SFC grants	746	2,567
	101,796	96,769

3. Tuition fees and education contracts

	2015 £000	2014 £000
Scotland and EU fees	33,352	32,035
Rest of UK fees (old rates)	104	282
Rest of UK fees (new rates)	1,493	441
Non EU fees	34,932	28,260
Non credit bearing course fees	8,162	7,649
Education contracts	1,850	1,833
Other contracts	6,043	5,663
	85,936	76,163

4. Research grants and contracts

	2015 £000	2014 £000
Research Councils	18,483	16,387
UK based charities	4,233	3,877
European Commission	6,804	6,441
Other grants and contracts – recurring	22,791	21,786
– non-recurring (RDEC)	8,966	-
Other grants and contracts	31,757	21,786
Released from deferred capital grants	4,196	3,693
	65,473	52,184

Non recurring other grants and contract income relates to estimated research development expenditure credits due from HMRC for the period from 1 April 2013 to 31 July 2015.

5. Other income

	2015 £000	2014 £000
Residences and catering	13,206	10,879
Other services rendered	9,012	7,586
Released from deferred capital grants	1,324	1,088
Other grants	1,694	-
Royalty income	557	324
Accommodation charges and rental income	212	225
Other departmental income	3,815	3,033
Donations and subventions	1,067	1,340
Other	2,383	2,211
	33,270	26,686

6. Endowment and investment income

	Note	2015 £000	2014 £000
Income from expendable endowments		7	13
Income from permanent endowments		731	717
Interest receivable		430	500
Investment income		330	278
Net return on pension scheme	32	2,290	1,067
		3,788	2,575

7. Staff costs

	Note	2015 £000	2014 £000
Wages and salaries		118,280	112,735
Social security costs		9,593	9,746
Other pension costs	32	17,522	16,729
		145,395	139,210
Average staff numbers by major category:		2015 Number	2014 Number
Academic		921	917
Professional Services		1,240	1,281
Research		484	481
Operational		645	670
		3,290	3,349

7. Staff costs continued

	2015 £000	2014 £000
Total remuneration of the Principal and Vice-Chancellor including pension contributions was	343	334

Included within the remuneration figures are amounts in respect of benefits-in-kind. The University's contributions to the Universities Superannuation Scheme in respect of the Principal's pension are paid at the same rates as for other staff. The Principal has ceased to pay contributions into the Universities Superannuation Scheme and the University's contributions to the pension scheme were paid to the Principal as salary on an equivalent basis.

The number of staff, including senior postholders other than the Principal, who received emoluments, excluding employer's pension contributions, are set out in the following table.

The figures shown in the table below include fees earned in respect of work performed for external bodies and also include payments in lieu of pension contributions for individuals who have opted out of the Universities Superannuation Scheme.

	Senior	2015 Other	Total	Senior	2014 Other	Total
£70,001 - £80,000	-	69	69	-	57	57
£80,001 - £90,000	-	43	43	-	55	55
£90,001 - £100,000	1	29	30	1	19	20
£100,001 - £110,000	-	14	14	-	9	9
£110,001 - £120,000	1	10	11	-	5	5
£120,001 - £130,000	-	4	4	2	2	4
£130,001 - £140,000	-	-	-	2	-	2
£140,001 - £150,000	1	-	1	-	1	1
£150,001 - £160,000	1	1	2	-	1	1
£160,001 - £170,000	-	1	1	1	1	2
£170,001 - £180,000	1	-	1	1	2	3
£200,001 - £210,000	1	1	2	-	-	-

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:

	2015 £000	2014 £000
Compensation paid	-	64

8. Interest and other finance costs

	2015 £000	2014 £000
Loans wholly repayable within five years	61	-
Loans not wholly repayable within five years	936	288
	997	288

9. Analysis of expenditure by activity

	Staff Costs £000	Other operating expenses £000	Interest and other finance costs £000	2015 £000	2014 £000
Academic departments	79,124	29,153	-	108,277	99,298
Academic services	10,560	6,295	-	16,855	16,978
Research grants and contracts	20,469	17,239	-	37,708	34,807
Administration and central services	17,384	9,823	-	27,207	24,559
Residences and catering	2,965	5,149	-	8,114	7,661
Premises	8,391	19,084	-	27,475	25,234
Other expenses	6,502	13,500	997	20,999	17,734
	145,395	100,243	997	246,635	226,271
Depreciation				26,715	21,743
Total per income and expenditure account				273,350	248,014
The depreciation charge has been funded by:					
Deferred capital grants released				12,860	10,356
General income				13,855	11,387
				26,715	21,743
Other operating expenses include:					
External auditor's remuneration - audit services				62	61
External auditor's remuneration - non-audit services				45	40

10. Taxation

	2015 £000	2014 £000
Current tax:		
UK Corporation tax at 20.67%	1,957	-

As an exempt charity the University is potentially exempt from taxation in respect of income or capital gains received within categories covered by section 287 of the Corporation Tax Act 2009 and sections 471, and 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 Corporation tax charge is solely in respect of Research and Development Expenditure Credit grants receivable by the University as described in note 4.

Factors affecting the current tax charge:

	2015 £000	2014 £000
Reconciliation of current year UK corporation tax charge		
Surplus after depreciation of assets at cost and before taxation	16,913	6,363
Surplus on ordinary activities multiplied by the average standard rate of corporation tax in the UK of 20.67% (2014 22.33%)	3,496	1,421
Surplus falling within charitable exemption	(1,539)	(1,421)
	1,957	-

11. Exceptional items

	2015 £000	2014 £000
Gain on disposal of fixed asset investments	574	-
Gain on disposal of land and buildings	-	830

During the year the University sold shares in two spin out companies for proceeds totalling £595,000 which, after deducting the net book value of the assets, resulted in a gain of £574,000.

The prior year exceptional item relates to the sale of residences which were surplus to requirements for proceeds of £1,125,000, which after deducting disposal costs and the net book value of the assets resulted in a gain of £830,000.

12. Tangible Fixed Assets

	Land and buildings				Total £000
	Freehold £000	Long leasehold £000	Assets under construction £000	Equipment £000	
Cost					
At 1 August 2014	336,444	10,694	59,912	52,541	459,591
Additions	22,792	417	19,107	14,186	56,502
Transfers	79,019	-	(79,019)	-	-
Disposals	-	-	-	(5,961)	(5,961)
At 31 July 2015	438,255	11,111	-	60,766	510,132
Depreciation					
At 1 August 2014	132,252	8,765	-	24,094	165,111
Charge for year	17,011	480	-	9,224	26,715
Disposals	-	-	-	(5,961)	(5,961)
At 31 July 2015	149,263	9,245	-	27,357	185,865
Net book value at 31 July 2015	288,992	1,866	-	33,409	324,267
Net book value at 31 July 2014	204,192	1,929	59,912	28,447	294,480

Buildings with a net book value of £258,691,000 and cost of £394,966,000 have been funded in part or in whole from public funds. Should these particular buildings be sold, the University would have to surrender the relevant proceeds 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 ages 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.

13. Fixed asset investments

	2015 £000	2014 £000
At 1 August	10,286	9,745
Additions	3,407	2,356
Disposals	(2,972)	(2,008)
Increase in market value of investments	524	9
(Decrease)/increase in cash balances	(18)	184
At 31 July	11,227	10,286
Represented by:		
Fixed interest investments (listed)	1,758	1,351
Equities (listed)	7,482	7,350
Cash at bank	552	570
Spin-out company investments	1,383	963
Other	52	52
	11,227	10,286

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 subsidiary undertakings are:

	%		Main	Year
	Holding		Activity	End
Strathclyde University Incubator Limited	100	Incubator for technology based business		31/7/15
University of Strathclyde Properties Limited	100		Dormant	31/7/15
Haleno Limited	100		Dormant	31/7/15
SGBS Limited	100		Dormant	31/7/15

The financial statements of these subsidiary undertakings have not been consolidated with those of the University on the basis that the amounts involved are not material.

14. Endowment assets

	2015 £000	2014 £000
At 1 August	27,040	26,840
Additions	6,453	5,403
Disposals	(6,671)	(5,201)
Increase in market value of investments	1,756	133
Increase/(decrease) in cash balances held for endowment funds	316	(135)
At 31 July	28,894	27,040
Represented by:		
Fixed interest investments (listed)	4,217	3,928
Equities (listed)	19,291	18,052
Bank deposits	246	236
Cash at bank held for endowment funds	5,140	4,824
Total endowment assets	28,894	27,040
Fixed interest investments and equities at cost	18,694	18,161

15. Surplus assets for disposal

Surplus assets for disposal include land and buildings at Jordanhill and land at Kilmardinny. The University has obtained planning permission in principle for the erection of a residential development at Jordanhill.

The site disposal marketing campaign commenced early March 2015. Given the level of interest received a closing date for offers was set on 27 May 2015. A number of offers were received and following a selection process a preferred bidder has been identified. Negotiations are continuing with the developer and are expected to conclude with an agreed legal missive by the end of 2015.

16. Debtors

	2015 £000	2014 £000
Debtors	10,837	10,313
Prepayments and accrued income	12,997	4,443
	23,834	14,756

17. Current asset investments

	2015 £000	2014 £000
Deposits maturing: in one year or less	-	5,000

18. Creditors: amounts falling due within one year

	2015 £000	2014 £000
Unsecured loans	1,600	1,480
Creditors	13,602	14,769
Social security and other taxation payable	2,960	2,910
Accruals	18,224	15,989
Deferred income	39,627	48,903
	76,013	84,051

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

	2015 £000	2014 £000
Analysis of unsecured loans:		
Due within one year or on demand	1,600	1,480
Due between one and two years	2,308	1,600
Due between two and five years	14,590	6,481
Due in five years or more	77,242	17,659
	95,740	27,220
Due within one year or on demand	(1,600)	(1,480)
Due after more than one year	94,140	25,740

An unsecured bank loan of £90 million (2014 £20 million) from the European Investment Bank is repayable by instalments between 31 July 2017 and 5 March 2035 and interest is charged as follows:

- £20 million – 0.343% above the 6 month LIBOR rate
- £20 million – 0.333% above the 6 month LIBOR rate
- £20 million – 2.279% fixed rate until 5 March 2025
- £30 million – 2.512% fixed rate until 5 March 2035

The other unsecured bank loan of £5,140,000 (2014 £6,620,000) is repayable by instalments between 1 August 2015 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 (2014 £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.

20. Provisions for liabilities

	Pensions £000	Dilapidations £000	Total £000
At 1 August 2014	8,012	350	8,362
Expenditure in the year	(1,033)	-	(1,033)
Transfer from Income and Expenditure Account	(143)	-	(143)
Revaluation adjustment	335	-	335
At 31 July 2015	7,171	350	7,521

Pensions

The University has an obligation in respect of former employees who have retired and for whom an enhanced pension has been provided. Some £6,971,000 (2014 £7,186,000) of this liability continues throughout the retirement period and is assessed by independent actuarial valuation. The principal assumptions are a discount rate of 3.6% (2014 4.1%) and pension increases of 2.1% (2014 2.4%). The balance of £200,000 (2014 £827,000) 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.

Dilapidations

The University has an obligation in respect of dilapidations to leasehold property.

21. Deferred capital grants

	Funding Council £000	Other grants and benefactions £000	Total £000
At 1 August 2014			
Buildings	80,294	47,089	127,383
Equipment	6,242	13,700	19,942
Total	86,536	60,789	147,325
Cash Receivable			
Buildings	4,278	4,338	8,616
Equipment	5,841	4,819	10,660
Total	10,119	9,157	19,276
Released to income and expenditure			
Buildings	4,830	2,181	7,011
Equipment	2,510	3,339	5,849
Total	7,340	5,520	12,860
At 31 July 2015			
Buildings	79,742	49,246	128,988
Equipment	9,573	15,180	24,753
Total	89,315	64,426	153,741

22. Endowments

	Unrestricted Permanent £000	Restricted Permanent £000	Total Permanent £000	Restricted Expendable £000	2015 Total £000	2014 Total £000
At 1 August						
Capital	4,112	19,350	23,462	-	23,462	23,164
Accumulated income	-	2,618	2,618	960	3,578	3,676
	4,112	21,968	26,080	960	27,040	26,840
New endowments	8	57	65	-	65	197
Investment income	133	598	731	7	738	730
Expenditure	(133)	(458)	(591)	(114)	(705)	(860)
	-	140	140	(107)	33	(130)
Increase in market value of investments	406	1,336	1,742	14	1,756	133
At 31 July	4,526	23,501	28,027	867	28,894	27,040
Represented by:						
Capital	4,526	20,744	25,270	-	25,270	23,462
Accumulated income	-	2,757	2,757	867	3,624	3,578
	4,526	23,501	28,027	867	28,894	27,040

22. Endowments continued

Major Endowments:

Restricted Permanent endowments include four major individual funds:

- T B Hunter Charitable Trust – Endowed to support the ongoing development of entrepreneurship education.
- Sir David S Anderson Trust – Bequest to be used in the field of Science and Engineering by inviting distinguished persons from institutions in Europe or America to visit the University to take an active part in teaching and/or research or to send University staff abroad to acquire knowledge which might not be available in this country.
- Glaxo – Endowed to provide monies to establish two ‘Jack Research Fellowships’ for advanced study in any field of science related to the discovery of new drugs.
- Robertson Trust – Endowed to provide for a Chair of Bioprocessing Technology.

The movement of these funds for the year were as follows:

	T B Hunter Charitable Trust £000	Sir David S Anderson Trust £000	Glaxo £000	Robertson Trust £000
At 1 August 2014	4,918	1,319	1,997	1,443
Investment income	206	35	54	37
Expenditure	(225)	(5)	(54)	(37)
Increase in market value of investments	116	60	114	106
At 31 July 2015	5,015	1,409	2,111	1,549

23. Reserves

	Income and Expenditure Account £000	Revaluation Reserve £000	Pension Reserve £000	Total £000
At 1 August 2014	135,065	1,425	(24,913)	111,577
Surplus for the year	15,497	-	-	15,497
Revaluation of fixed asset investments	-	524	-	524
Realised revaluation gain on sale of investments	146	(146)	-	-
Actuarial loss	-	-	(1,021)	(1,021)
Transfer from Income and Expenditure Account to Pension Reserve	(2,153)	-	2,153	-
At 31 July 2015	148,555	1,803	(23,781)	126,577

24. Capital commitments

	2015 £000	2014 £000
Commitments contracted at 31 July	685	27,595

Of the above commitments, £280,000 (2014 £1,497,000) will be funded from external sources.

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

	2015 £000	2014 £000
Surplus after depreciation of assets at cost	15,530	7,193
Depreciation of tangible fixed assets	26,715	21,743
Deferred capital grants released to income	(12,860)	(10,356)
Investment income	(3,788)	(2,676)
Loss on sale of investments	63	60
Gain on disposal of fixed assets	(574)	(830)
Interest payable	997	288
Increase in stocks	(7)	(21)
(Increase)/decrease in debtors	(6,109)	2,947
Decrease in creditors	(6,235)	(543)
Decrease in provisions	(841)	(359)
Pension costs less contributions payable	137	49
Net cash inflow from operating activities	13,028	17,495

26. Returns on investments and servicing of finance

	2015 £000	2014 £000
Income from endowments	738	730
Interest received and investment income	767	889
Interest paid	(997)	(288)
Net cash inflow from returns on investments and servicing of finance	508	1,331

27. Capital expenditure and financial investment

	2015 £000	2014 £000
Payments to acquire tangible fixed assets	(59,698)	(89,620)
Deferred capital grants received	17,573	27,793
Endowment assets acquired and received	(6,388)	(5,206)
Receipts from sale of endowment assets	6,671	5,201
Purchase of fixed asset investments	(3,407)	(2,356)
Receipts from sale of fixed asset investments	3,483	1,948
Receipts from sale of tangible fixed assets	-	1,101
Net cash outflow for capital expenditure and financial investment	(41,766)	(61,139)

28. Management of liquid resources

	2015 £000	2014 £000
Decrease in short term deposits	5,000	25,000

29. Financing

	2015 £000	2014 £000
New unsecured loan	70,000	20,000
Repayments of unsecured loans	(1,480)	(1,380)
Net cash inflow from financing	68,520	18,620

30. Analysis of changes in net funds

	At 1 August 2014 £000	Cash flow £000	Non-cash changes £000	At 31 July 2015 £000
Investments	570	(18)	-	552
Endowment assets	4,824	316	-	5,140
Cash in hand and in bank	60,480	44,992	-	105,472
	65,874	45,290	-	111,164
Short-term investments	5,000	(5,000)	-	-
Debts due within one year	(1,480)	1,480	(1,600)	(1,600)
Debts due after one year	(25,740)	(70,000)	1,600	(94,140)
	43,654	(28,230)	-	15,424

31. Cash flows relating to exceptional items

Operating cash flows include an outflow of £368,000 (2014 £259,000) in respect of exceptional restructuring costs.

32. 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).

	2015 £000	2014 £000
The total pension costs for the year were:		
USS	14,380	13,836
SPF	3,082	2,809
STSS	60	84
	17,522	16,729

32. Pension schemes continued

With the exception of SPF, 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.

	2015 £000	2014 £000
Outstanding contributions at 31 July were:		
USS	1,910	1,805
SPF	248	243
STSS	8	12
	2,166	2,060

USS Institutions – FRS 17 – Retirement Benefits

The University participates in the Universities Superannuation Scheme (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. The University is required to contribute a specified percentage of payroll costs to the pension scheme to fund the benefits payable to the University's employees. In 2015, the percentage was 16% (2014 16%). The University 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.

The disclosures below represent the position from the scheme's financial statements. The latest available triennial actuarial valuation of the scheme was at 31 March 2014 ('the valuation date'), which was carried out using the projected unit method and is currently being audited by the scheme auditor. Based on this 2014 valuation it is expected that employer contributions will increase to 18% from 1 April 2016.

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

32. Pension schemes continued

FRS 17 liability numbers have been produced using the following assumptions:

	2015	2014
Discount rate	3.3%	4.5%
Pensionable salary growth	3.5% in the first year and 4.0% thereafter	4.4%
Price inflation (CPI)	2.2%	2.6%

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

Male members' mortality	S1NA ("light") YoB tables – no age rating
Female members' mortality	S1NA ("light") YoB tables – rated down 1 year

Use of these mortality tables reasonably reflects the actual USS experience. To allow for further improvements in mortality rates the CMI 2009 projections with a 1.25% pa long term rate were also adopted for the 2014 FRS 17 figures, for the March 2015 figures the long term rate has been increased to 1.5% and the CMI 2014 projections adopted, and the tables have been weighted by 98% for males and 99% for females. The current life expectancies on retirement at age 65 are:

	2015	2014
Males currently aged 65 (years)	24.2	23.7
Females currently aged 65 (years)	26.3	25.6
Males currently aged 45 (years)	26.2	25.5
Females currently aged 45 (years)	28.6	27.6

	2015	2014
Existing benefits		
Scheme assets	£49.0bn	£41.6bn
FRS 17 liabilities	£67.6bn	£55.5bn
FRS 17 deficit	£18.6bn	£13.9bn
FRS 17 funding level	72%	75%

32. Pension schemes continued

A contingent liability exists in relation to the pension valuation recovery plan, since the University is an employer of members within the scheme. The contingent liability relates to the amount generated by past service of current members and the associated proportion of the deficit. Given that the scheme is a multi-employer scheme and the University is unable to identify its share of the underlying assets and liabilities, the contingent liability is not recognised as a provision on the balance sheet. The associated receivable from the scheme in respect of the reimbursement of the University's expenditure is similarly not recognised.

Strathclyde Pension Fund

The University participates in the Strathclyde Pension Fund, a local government pension scheme, which provides benefits based on final pensionable salary for employees of local government and some other institutions including the University. The University believes that sufficiently robust information is 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 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 Pension (S2P) Scheme. The last full valuation was carried out at 31 March 2014 by a qualified independent actuary. The FRS17 results below are based on rolling forward the previous valuation results to 31 July 2015.

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

	2015	2014
Rate of increase of salaries (see note a)	4.3%*	4.8%**
Rate of increase in pensions in payment (see note b)	2.4%	2.5%
Discount rate	3.5%	3.9%
Expected return on assets	3.5%	6.0%

(a) * The salary increase assumption is 1.9% for the year to July 2016, 1.9% for the year to July 2017, 2.3% for the year to July 2018 and 4.3% thereafter.

** The salary increase assumption is 2.0% for the year to July 2015, 1.6% for the year to July 2016, 1.9% for the two years to July 2018 and 4.8% thereafter.

(b) The rate of increase in pensions at 31 July 2015 is based on CPI.

32. Pension schemes continued

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 2015	At 31 July 2014
Current Pensioners		
Males	22.1 years	21.0 years
Females	23.6 years	23.4 years
Future Pensioners		
Males	24.8 years	23.3 years
Females	26.2 years	25.3 years

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

	31 July 2015		31 July 2014		31 July 2013	
	Long-term rate of return	Value £000	Long-term rate of return	Value £000	Long-term rate of return	Value £000
Equities	3.5%	122,300	6.6%	119,413	6.4%	114,280
Bonds	3.5%	19,568	3.5%	18,855	3.8%	21,052
Property	3.5%	19,568	4.7%	10,999	4.6%	10,526
Cash	3.5%	1,631	3.6%	7,856	3.4%	4,511
Total market value of assets		163,067		157,123		150,369
Present value of scheme liabilities						
-Funded		(184,107)		(179,340)		(163,961)
-Unfunded		(2,741)		(2,696)		(2,731)
Deficit in the scheme		(23,781)		(24,913)		(16,323)

32 Pension schemes continued

Movements in fair value of plan assets	2015	2014
	£000	£000
At 1 August	157,123	150,369
Expected return on plan assets	9,323	8,675
Actuarial (losses)/gains	(62)	753
Contributions by the employer	2,767	2,578
Contributions in respect of unfunded benefits	178	182
Contributions by members	644	668
Unfunded benefits paid	(178)	(182)
Benefits paid	(6,728)	(5,920)
At 31 July	163,067	157,123

Movements in present value of defined benefit obligations	2015	2014
	£000	£000
At 1 August	182,036	166,692
Current service cost	3,062	2,761
Past service cost	7	48
Loss on curtailments	13	-
Interest cost	7,033	7,608
Actuarial losses	959	10,361
Contributions by members	644	668
Estimated unfunded benefits paid	(178)	(182)
Benefits paid	(6,728)	(5,920)
At 31 July	186,848	182,036

Analysis of the amount charged to staff costs within operating deficit	2015	2014
	£000	£000
Current service cost	3,062	2,761
Past service cost	7	48
Loss on curtailments	13	-
Total operating charge	3,082	2,809

32. Pension schemes continued

	2015 £000	2014 £000
Analysis of the amount (charged) to interest payable/credited to other finance income		
Expected return on pension scheme assets	9,323	8,675
Interest cost	(7,033)	(7,608)
Total net finance return	2,290	1,067
Analysis of amount recognised in the Statement of Total Recognised Gains and Losses (STRGL):		
	2015 £000	2014 £000
Actual return less expected return on scheme assets	(62)	753
Experience (losses) on liabilities	(959)	(10,361)
Total (loss)/gain recognised via STRGL during year	(1,021)	(9,608)
History of experience gains and losses		
	2015 £000/%	2014 £000/%
Difference between the expected and actual returns on assets	(62)	753
Percentage of scheme assets	0.0%	0.5%
Experience (losses)/gains on scheme liabilities	(959)	(10,361)
Percentage of scheme liabilities	(0.5%)	(5.7%)
Total amount recognised in STRGL	(1,021)	(9,608)
Percentage of scheme liabilities	(0.5%)	(5.3%)

The contribution rate payable by the University was 21.3% of pensionable salary until 31 March and thereafter 22.7% (2014 21.3%).

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 14.9% (2014 14.9%) of members' salaries.

33. 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 arm's length and in accordance with the University's financial regulations and usual procurement procedures.

The University makes certain payments on behalf of and is reimbursed for certain costs by the Students' Association (USSA). The University does not exercise day to day control over the activities of USSA. In 2014/15, the University provided USSA with rent free accommodation and contributed £1,455,000 (2014 £1,414,000) as a grant towards its activities.

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.

34. HE bursaries and other student support funds

	2015 HE Childcare £000	2015 HE Discretionary £000	2015 Total £000	2014 Total £000
Balance brought forward	12	5	17	414
Allocation received in the year	439	872	1,311	1,342
Expenditure	(301)	(1,007)	(1,308)	(1,325)
Repaid as clawback	(12)	(5)	(17)	(414)
Virements	(136)	136	-	-
Balance carried forward	2	1	3	17
Repayable as clawback	2	1	3	17

These 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 2014/15

Convener of Court

Mr R J A Hunter

Ex Officio

Principal and Vice-Chancellor
Professor Sir J McDonald

Vice-Principal Professor S MacGregor

Glasgow City Council

Councillor S Curran

Senate

Dr J Delafield-Butt

Dr V O'Halloran

Dr D Willison (until 31/07/15)

Professor J Thomson (until 31/07/15)

Professor L Woolfson (until 31/07/15)

Graduates Association

Dr A Goldsmith

President of the Students Association plus another Member of the Student Executive

Mr G Paterson

Ms M MacVicar (until 31/07/15)

Co-opted by Court (Lay Members)

Mr J Beeton

Dr A Bethel

Mr R Cleland (Vice-Convener of Court)

Ms A Culpan

Ms G Hastings

Convener, Mr R J A Hunter

Ms S Kelly

Ms M McGarry (until 31/07/15)

Dr J Morgan

Dr J S Perry (Treasurer)

Mr M Roughead

Ms M Venman (Deputy Convener, Estates)

Professional Services Staff

Mr N Sturrock (until 31/07/15)

Membership of Principal Committees of Court

Convener of Court Membership Group and Court Business Group,
Member of Remuneration Committee

Convener of Executive Team, Member of Estates Committee,
Staff Committee, Court Membership Group, Court Business
Group and Remuneration Committee

Convener of Staff Committee, Member of Executive Team,
Court Membership Group and Court Business Group

Member of Court Business Group and Court
Membership Group

Member of Court Business Group, Estates Committee
and Court Membership Group

Member of Estates Committee

Member of Audit Committee

Member of Staff Committee, Court Business Group, Court
Membership Group and Convener of Remuneration Committee

Member of Staff Committee

Convener of Audit Committee and Member of Court
Membership Group

See above

Member of Staff Committee

Member of Audit Committee

Member of Audit Committee

Court Business Group, Court Membership Group and
Remuneration Committee

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

The following individuals were not members of Court during the financial year to 31 July 2015 but were members of Court on the day the Financial Statements were approved:

Ms K Alexander, Professor E Riis, Dr A McLaren, Dr D Andriosopoulos, Ms L McKean, Mr G McDonnell

Note: further information on Court members, including attendance rates and a register of interests, is available on the Court webpage, <http://www.strath.ac.uk/committees/court/>

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