

# REPORT & FINANCIAL STATEMENTS

YEAR ENDED 31 JULY 2016









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# Principal's Report

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I am pleased to share with you the University of Strathclyde's financial statements and progress for 2016. Our confident positioning as a leading international technological university remains at the heart of everything we do, and has underpinned our advances in research, innovation, learning & teaching and international engagement over the last 12 months.

Strathclyde academics continue to be at the forefront of research to improve health, secure energy, set new standards in manufacturing, and transform advanced technologies. Notably, members of our Physics Department – ranked number one in the UK for research – contributed to the international collaboration that discovered gravitational waves, or ripples in the fabric of space-time. This confirmed a major prediction of Einstein's general theory of relativity and opened an unprecedented new window onto the cosmos. Our engineers are recognised amongst the global leaders in space and satellite technologies, from developing new space vehicle launch technologies to novel methods for asteroid detection and deflection through to advanced satellite design and payload optimisation.

We have also continued to ensure that our world-class teaching, informed by the very latest research, is available to every student with ability, regardless of their financial or social circumstances. Building on our reputation for exemplary support for care-leavers, this October we became the first university in Scotland to pledge its support for students who are estranged from their families – students who are more vulnerable than most due to homelessness and withdrawal from education. This commitment is the latest development in our wide-ranging drive to remove barriers to higher education and promote the life-changing opportunities university can provide.

Our mission as a 'place of useful learning' for all can also be seen in the results of this year's Destinations of Leavers from Higher Education survey. Strathclyde was ranked in the UK's top 10 of larger providers for graduate employment, with 92.6% of respondents having either secured a job or gone into further study six months after graduation.

At the same time, we are making tremendous inroads in our work informing public policy. Our investment in the Fraser of Allander Institute within Strathclyde Business School, for example, marked a new era for independent, economic and fiscal analysis for Scotland. The expansion of the Institute – ahead of the Scottish Parliament assuming greater tax and spending powers – has enabled it to spearhead new research that is of relevance both in the UK, and internationally.

This has been a year of tremendous change for many of us in Scotland, the UK, and the wider world. With major shifts in the international political landscape – including the UK's historic European Union referendum, 2016 has not been short of noteworthy events. As an international university, we are – and will remain – extremely proud of our global community and our academic links with other leading institutions around the world. While the UK's decision to withdraw from the European Union will present challenges for Strathclyde, and the higher education sector as a whole, there will also be opportunities. Our university, will continue to offer a platform for debate, conduct research to inform policy, and education to improve understanding of our shifting political landscape.

We will continue to offer a space to bring together business, industry, academia and policy-makers, to find solutions to challenges. It is no coincidence that our International Public Policy Institute was selected to host a roundtable meeting between business leaders and the Minister for Exiting the European Union on his first visit to Scotland since the referendum.

Our values as a bold, innovative and people-orientated University, combined with our 'can-do' attitude, stand us in good stead for this time of change. I am confident that we will continue to offer an environment that is

international in outlook, well-funded, and an attractive destination for talented people from across Europe and beyond.

Indeed, this year we have continued to make significant investments in global talent. At the time of writing, we launched a new round of the Chancellor's Fellowship scheme to appoint up to 20 exceptional early-career academics in strategically-important areas. This complements our Global Talent initiative which is attracting internationally leading senior academics from top institutions around the world.

I'm also pleased to say we are now beginning to reap the financial benefits of the University's excellent performance in the most recent Research Excellence Framework, which ranked Strathclyde among the UK's top 20 research intensive institutions.

As a confident, forward looking institution, we are continuing to invest in our research and teaching facilities, ensuring we provide our students and staff with a first class experience of living and working in the city of Glasgow. October saw the official launch of our new Business School facilities, which have been transformed with £23.2 million investment; a fitting investment for Scotland's top ranked business school, and bringing our total investment in our estate to approaching £300 million over the past eight years.

Work is also well underway on our new £31 million, state of the art sports, health and wellbeing centre on Cathedral Street. The building will include a six lane swimming pool, a large gym area and specialist academic space for teaching and research, and is expected to open in Summer 2018.

Court will shortly consider proposals for a major investment in our teaching and learning facilities, "The Place", positioning student services and support at the heart of our campus and providing further benefits to students. At the same time, we are making our campus more sustainable, both financially and environmentally. Work begins imminently on a new Combined Heat and

Power District Energy Network, which will link our high energy use buildings to generate and distribute heat and electricity more efficiently. I am also pleased to tell you that our commercial investment approach has borne fruit, with one of our portfolio companies being sold for a return of four times our investment – or approximately £1.2 million to the University.

We have seen much progress, but there is still much to do.

As the First Minister announced in her Programme for Government in September, Strathclyde will have a key role to play in the new national manufacturing centre of excellence and skills academy, in a partnership between the government and its agencies, the University, industry and other HEIs. The centre will focus on helping companies innovate, integrate new technologies and compete in international markets.

In November, we will launch a maritime safety centre with our industry partners – the first of its kind in the world, cementing the University's reputation for world-leading expertise in maritime safety and risk, and helping to influence the development of shipping safety legislation.

And we will continue to work with partners in the public, private and third sectors, to deliver positive outcomes for the global communities we serve.

None of this would be possible without the support of my colleagues and the student body, and I would like to place on record my thanks for their ongoing contribution to the work of the University. I look forward to enjoying many more successes together in the year ahead.

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Professor Sir Jim McDonald  
Principal and Vice-Chancellor  
24 November 2016

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

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# Strategic Report

## VISION AND MISSION

Our collective vision for Strathclyde is of a leading international technological university inspired by its founding mission as ‘the place of useful learning’, that makes a positive difference to the lives of its students, to society and to the world.

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 our five-year Strategic Plan includes ambitious targets structured around three strategic themes and two cross-cutting themes, as outlined in the diagram below.

<b>Our Vision</b>	A leading international technological university, inspired by its founding mission, that makes a positive difference to the lives of its students, to society and to the world				
<b>Our Mission</b>	From our foundation as ‘the place of useful learning’, we take it as our responsibility to research, teach and be of benefit to society – to reach outside the University to make the world better educated, prosperous, healthy, fair and secure				
<b>Strategic Themes</b>	Outstanding student experience	Internationally-leading research	World-leading innovation and impact		
<b>Cross-cutting Themes</b>	Global engagement		Operational excellence		
<b>Our Values</b>	People-oriented	Bold	Innovative	Collaborative	Ambitious

With our new Strategic Plan 2015-2020 having been launched in August 2015 this is our first review against this structure and the performance measures listed below. Within our 5-year plan we have 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.

## Strategic Report continued

### OUTSTANDING STUDENT EXPERIENCE

#### Strategic context

At Strathclyde we ensure a positive learner journey for all by focusing on successful transitions across all levels of education; we are committed to providing access to people from the widest possible range of backgrounds, to improving student retention and ensuring onward success. Our strategic ambitions focus on growing our postgraduate cohorts, diversifying our student population and creating flexible pathways, so that individuals from a variety of backgrounds can benefit from the distinctive student experience at Strathclyde. The National Student Survey, the divergence in UK higher education policy and funding, and the growth of national and international rankings and development of the Teaching Excellence Framework have led to a highly competitive environment for student recruitment.

The delivery of a high-quality student experience, good retention rates and positive graduate outcomes are essential characteristics for a successful and attractive university.

#### Performance measures

Achieve an annual intake of 1,000 Scottish domiciled undergraduates from SIMD 0-40 areas by 2020

Maintain undergraduate retention from Year 1 to Year 2 in the current range of 92% - 95% annually

#### Progress/Activity

The University has exceeded its annual milestones for the recruitment of Scottish-domiciled undergraduates from SIMD 0-40 areas. We remain the Scottish research intensive university with the largest number of entrants from the 40% most deprived areas in Scotland. In 2016, Strathclyde admitted 930 FTE (or 980 headcount) SIMD 0-40 entrants, which is 25 per cent higher than in 2010/11.

Our data shows that retention rates are consistently within the specified range of 92 - 95%. The University's 2015 (the most recent year for which comparator data is available) undergraduate retention rate of 92.5% is 1.7% higher than the Scottish sector average of 90.8%. This represents an increase of 3.5% compared to the 89.0% figure for entrants retained in 2010.



## Strategic Report continued

### OUTSTANDING STUDENT EXPERIENCE CONTINUED

#### Performance measures

Achieve Student Satisfaction (overall) of 90% or higher annually in the National Student Survey

Meet or exceed our HESA benchmark annually for the proportion of graduates in work or further study

Increase our postgraduate taught (PGT) population to 3,100 FTE by 2020

#### Progress/Activity

Our performance in overall NSS satisfaction is unchanged on the previous year (87%). Assessment and feedback results remain an area for improvement and actions being taken forward are focused on department-led activity and the enhanced use of NSS improvement plans, to be monitored through our senior Education committees and involving all Department/School leads.

More than 96% of our graduates are in work or further study six months after their graduation, placing us in the UK's top 10 of larger providers for graduate employment and more than one point higher than our HESA benchmark.

The postgraduate taught population increased to 2,950 FTE in 2016. This represents a considerable increase on the baseline figure of 2,340 FTE.

#### 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. This in turn will increase 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.

## Strategic Report continued

### INTERNATIONALLY-LEADING RESEARCH

#### 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 ambitious targets in this area we have made significant progress over recent years in what is an increasingly competitive and challenging funding environment.

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

#### Performance measures

Increase our total competitively won research income to £70 million by 2020

Achieve an overall field-weighted citation impact rate 50% greater than the world average by 2020

Increase our postgraduate research (PGR) population to 1,750 FTE by 2020

#### Progress/Activity

Following the University's success in the Research Excellence Framework exercise, recurring research income in 2016 totals £57.3 million, representing an overall increase of 56.4% over a six-year period.

Our field-weighted citation impact (FWCI) rate has risen to 61% greater than the world average in 2015, which represents a significant increase on the 39% baseline figure set at the outset of the Strategic Plan.

Aligned to our growth in research income and industry sponsored activity our postgraduate research student numbers have increased steadily and topped 1,800 headcount (1,400 FTE) 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.



## Strategic Report continued

### INTERNATIONALLY-LEADING RESEARCH CONTINUED

#### 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, particularly in the context of the UK's planned exit from the EU. Continuing our historically strong performance in securing EU framework programme funds in the short to medium term will be a key focus, whilst building up income streams from other sources.

It has been widely reported that the quantum of public funding available to support research from within the UK is, at best, likely to decline in real terms and so the further development and expansion of our relationships with business and industry, and outwith the EU, will become increasingly important for the support of postgraduate research students as well as research income growth.

In light of this the Strategic Plan 2015-2020 includes KPIs focusing both on research income and PGR numbers. Whilst the REF results have seen financial benefit flow from the Scottish Funding Council (SFC) via the University's Research Excellence Grant allocations, the previously noted risk of SFC's move away from formula funding for Knowledge Transfer activity (now funded via the University Innovation Fund) has resulted in negative financial implications for Strathclyde given the significant share of total funding that Strathclyde secured under the previous arrangements.

## Strategic Report continued

### WORLD-LEADING INNOVATION AND IMPACT

#### Strategic context

Knowledge exchange and innovation are 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 proven critical to our work in this area.

#### Performance measures

Increase our total income from licensing, gains on sales of spin out/spin off investments, CPD and consultancy to £30 million by 2020 (based on a two-year average figure)

Increase our total industry research income to £18 million by 2020

#### 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.

#### Progress/Activity

Our successes in this area have seen us retain our position in the UK top five institutions undertaking Knowledge Transfer Partnerships with Industry, achieving 2nd position during 2016, with 23 such funded partnership awards. In keeping with 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 over 100 KE staff and 27 staff have achieved promotion through this KE career pathway. Financially we have continued to develop our consultancy income, which totalled £11.6 million in 2016, whilst our CPD income totalled £13.3 million.

In line with our strategy we have had a continued focus on industry research income, which now totals £12.1 million.



## Strategic Report continued

### GLOBAL ENGAGEMENT

#### Strategic context

The University of Strathclyde is committed to strengthening our reputation as a leading international technological university with our international outlook permeating everything we do.

This is reflected in the increasingly international and collaborative nature of our research, scholarship, knowledge exchange and innovation, but also in our drive to deliver a teaching and learning experience which equips our graduates with the necessary attributes to flourish in the global workplace.

#### Performance measures

Increase our number of non-EU students to 2,650 FTE by 2020

Monitor the proportion of non-EU students from beyond our five most well-represented countries

Monitor the proportion of our academic professional staff who are international

#### Progress/Activity

Our international student population has continued to increase. In 2016 there were 2,440 FTE non-EU students registered at Strathclyde, compared to 2,035 FTE in 2014.

In 2016 the five largest sending countries accounted for 53% of this population as compared to 59% in 2012.

Just as our student population becomes more internationally diverse, so too does our staff body with 36% being international compared to 31% in 2012.

#### Risks

The UK's exit from the EU, 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, particularly in the context of the EU referendum, represent a risk. Any of these could potentially have an adverse impact on student enrolments, student satisfaction, graduate employment and the University's reputation with related financial consequences.

## Strategic Report continued

### 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. 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. The annual efficiency returns required by the Scottish Government and the Diamond Review on 'Efficiency, effectiveness and value for money' provide 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

Submit for the Silver Athena SWAN Institutional Award by 31 July 2020

Achieve an operating surplus annually of between 3-5%

Reduce our carbon emissions by 25% by 2020

#### 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.

#### Progress/Activity

In October 2015 the Department of Design, Manufacture & Engineering Management was notified that it had successfully achieved its bronze departmental Athena SWAN award.

In 2016 operating surplus as a % of income was 2.7%. This is ahead of the forecast trajectory to achieve 3 – 5% by 2020. As a result of the changes to financial reporting following the implementation of FRS 102 and the 2015 SORP, the appropriateness of this KPI is now under review.

In 2016 the University's carbon emissions were 28,300 tonnes CO<sub>2</sub>e, which was 3.4% lower than in 2014. The University's proposal to install a Combined Heat and Power District Energy Project reached the completed tender stage: this project, once completed, will deliver significant further reductions in carbon emissions, in line with the University's target.



## Strategic Report continued

### FINANCIAL REVIEW

	2016 Operating activities £M	2016 Other significant items £M	2016 Total £M	2015 Operating activities £M	2015 Other significant items £M	2015 Total £M
<b>Summary Income and Expenditure</b>						
Income (excl capital grants)	263.7	2.6	266.3	260.1	9.0	269.1
Capital grant income	14.6	-	14.6	19.8	-	19.8
<b>Total Income</b>	<b>278.3</b>	<b>2.6</b>	<b>280.9</b>	<b>279.9</b>	<b>9.0</b>	<b>288.9</b>
Expenditure	(270.8)	(3.1)	(273.9)	(268.7)	(13.9)	(282.6)
<b>Surplus before other gains and losses</b>	<b>7.5</b>	<b>(0.5)</b>	<b>7.0</b>	<b>11.2</b>	<b>(4.9)</b>	<b>6.3</b>
Gains on disposal of fixed assets	-	8.0	8.0	-	-	-
Gain on investments	-	2.4	2.4	-	2.9	2.9
Taxation	-	(0.6)	(0.6)	-	(2.0)	(2.0)
<b>Surplus for the year</b>	<b>7.5</b>	<b>9.3</b>	<b>16.8</b>	<b>11.2</b>	<b>(4.0)</b>	<b>7.2</b>
<b>Cash generated from operations</b>			<b>21.1</b>			<b>12.4</b>
<b>Cash and borrowings</b>						
Cash and cash equivalents			115.0			109.1
Loans			(94.1)			(95.7)
			<b>20.9</b>			<b>13.4</b>
<b>Total assets less current liabilities</b>			<b>470.0</b>			<b>450.8</b>
<b>Total reserves</b>			<b>308.0</b>			<b>295.4</b>

## Strategic Report continued

### FINANCIAL REVIEW CONTINUED

#### Overview

These Financial Statements have, for the first time, been prepared in accordance with Financial Reporting Standard 102 (FRS102), the new UK Financial Reporting Standard, and the revised Statement of Recommended Practice: Accounting for Further and Higher Education (2015 SORP).

These new financial reporting requirements have resulted in significant changes to the presentation of the Financial Statements and will also result in greater year-on-year volatility in income and expenditure over and above any changes arising from operational factors. Details of the changes in the Financial Statements, financial performance and financial position of the University as a result of these changes in financial reporting requirements are provided in Note 25 'Transition to FRS 102 and the 2015 SORP'.

In addition to showing the overall financial performance for the University, the above table highlights the impact of a number of significant items included in the surplus for the year that are not influenced by day to day operations and the impact of capital grant income on the surplus for the year.

Against a background of constrained public expenditure, the University has again succeeded in growing its recurring income, which now totals £263.7 million (2015 £260.1 million).

The University's overall surplus for the year has risen from £7.2 million to £16.8 million and cash generated from operations has increased from £12.4 million to £21.1 million. A focus on financial sustainability has ensured that, despite pressures on the cost base, particularly pay and pensions, the University continues to generate surpluses from our operations to invest in our estate, our staff and the quality of the student experience we deliver.

## Strategic Report continued

### FINANCIAL REVIEW CONTINUED

#### Other significant items

Significant items included in the surplus for the year that are not influenced by day to day operations include:

<b>Capital grant income</b>	Capital grant income has fallen from £19.8 million in 2015 to £14.6 million this year. Revenue and capital grants are now recognised in full once performance conditions are met, resulting in more variability year on year.
<b>RDEC income</b>	In its 2015 Financial Statements, the University anticipated receiving £9.0 million of Research and Development Expenditure Credits (RDEC) income for the period 1 April 2013 to 31 July 2015 which, after taxation, would result in net proceeds of £7.0 million. After submitting the final claims to HMRC, total RDEC income is expected to be £11.6 million (£9.0 million net) and the additional income of £2.6 million and tax of £0.6 million have been recognised in the 2016 Financial Statements.
<b>Gains on disposal of fixed assets</b>	Gains on disposal of fixed assets totalling £8.0 million have arisen following the disposal of two properties in 2016.
<b>Gains on investments</b>	Unrealised gains on the University's investments are now reflected within the Statement of Comprehensive Income and Expenditure and total £2.4 million this year (£2.3 million in 2015). In addition, the University realised gains of £0.6 million from the disposal of spin-out investments in 2015.
<b>USS pension deficit provision adjustments</b>	Charges associated with the deficit in the Universities Superannuation Scheme (USS). The University's commitment to fund the deficit recovery contributions are now reflected in the Financial Statements as a liability. Even though the recovery contributions are expected to be at a fixed proportion of salary costs, this liability is likely to vary from year to year. The charge in 2016 was £3.1 million, significantly lower than the charge of £13.9 million which arose in 2015, following the changes to funding arrangements with employers which took effect from 1 April 2015.

#### Other factors impacting Total Comprehensive Income

<b>Actuarial (loss)/gain in respect of the pension scheme</b>	The Total Comprehensive Income for the year of £12.5 million (2015 £9.4 million) is after reflecting an actuarial loss of £4.2 million (2015 £2.2 million) in respect of the Strathclyde Pension Fund.
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## Strategic Report continued

### FINANCIAL REVIEW CONTINUED

#### Balance Sheet overview

##### Investment in infrastructure

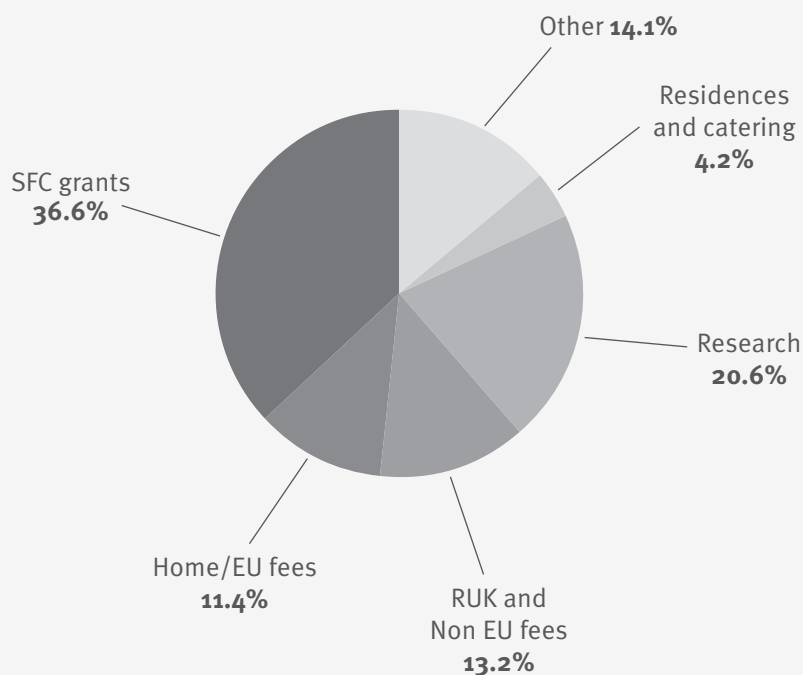
Investment in the University estate and infrastructure in 2016 totalled £24.5 million. Notwithstanding capital investment totalling over £280 million in the past 10 years, the University's net funds totalled £20.9 million at the year end.

##### Improvement in total assets

The continued strength of the University's Balance Sheet can be seen from the improvement in total assets less current liabilities, which rose by 4.3% to £470.0 million, and in total reserves, which increased by 4.3% to £308.0 million. The University remains well placed in terms of financial health to continue its planned programme of investments in pursuit of its strategic goals.

#### Income

Chart showing composition of total income (excluding other significant items) of £278.3 million



## Strategic Report continued

### FINANCIAL REVIEW CONTINUED

#### Income continued

**SFC grant income  
down £3.8 million  
(3.6%)**

Income from SFC grants totalled £101.7 million (2015 £105.5 million). Whilst revenue grants increased by £0.7 million (0.7%), capital grant income decreased by £4.5 million to £6.6 million.

In 2016 SFC suspended the Global Excellence element of the Research Excellence Grant (REG), from which the University had received £1.1 million in the prior year. However, this was mitigated by:

- an increase of £1.3 million (2.0%) in the recurrent teaching grant as a result of the University being awarded additional strategic undergraduate and postgraduate places following a competitive bidding process in 2013.
- the financial impact of the University's performance in the UK Research Excellence Framework 2014 (REF 2014), which will result ultimately in an increase in the REG of almost £1.8 million. However, as SFC adopted an approach whereby the institutional impacts of the change in REG allocation are mitigated by phasing in the full implementation of the REF results over three years, the benefit to Strathclyde in 2016 was an increase of £0.6 million.

The decrease in capital grant income reflects the increased year on year variability. Grant income in 2015 was unusually high due to the University's success in attracting UK Research Partnership Infrastructure Fund (RPIF) funding of £11.4 million for the national facility for Continuous Manufacturing and Crystallisation (CMAC) Research for Pharmaceutical Products. This resulted in £5.6 million of capital grant income in 2015 but only £2.3 million in 2016.

**Tuition fee income  
up £3.3 million  
(4.2%)**

Tuition fee income has risen by £3.3 million (4.2%) to £82.2 million. Income from credit bearing courses has risen by £3.5 million with the most significant growth arising from postgraduate research overseas fees. Overseas fee income has risen by £1.6 million (4.8%) with a further £1.1 million growth in income generated from RUK students and £0.8 million from home/EU students.

**Underlying research  
income in line with  
prior year**

Recurring income from Research Grants and Contracts in 2016 was £57.3 million (2015 £60.7 million). Whilst underlying research income is in line with the prior year, capital grant income has decreased by £3.3 million to £5.1 million.

Our new research facilities (the Technology & Innovation Centre, the Advanced Forming Research Centre and the Power Networks Demonstration Centre) have led to increases in UK Central Government (£2.5 million) and UK Industrial research income (£0.9 million). These were offset by reductions in Research Council income (£1.7 million) and income from UK-based charities (£0.8 million).

## Strategic Report continued

### FINANCIAL REVIEW CONTINUED

#### Expenditure

Expenditure before one-off items has risen by £2.1 million to £270.8 million, an increase of 0.8%.

Key movements include:

**Underlying salary costs up  
£5.8 million (4.0%)**

Underlying salary costs have increased by £5.8 million (4.0%). Increases in wages and salaries are primarily attributable to nationally negotiated pay awards, higher expenditure on research contract staff and investment in strategic staffing appointments.

In addition, there have been further increases in National Insurance and pension costs, which have increased at a higher rate than underlying wages and salaries. The UK Government's decision to move to a single tier pension scheme from April 2016 has resulted in an increase of around £0.9 million in employer National Insurance contributions. Pension costs rose at a higher rate than the underlying wages and salaries due to employer contributions to USS rising from 16% to 18% from 1 April 2016; the full year impact of the increase in the contribution rate to the Strathclyde Pension Fund from 21.3% to 22.7% from 1 April 2015; and new members arising from auto enrolment. Further increases will occur in 2016/17 as a result of the full year impact of the National Insurance changes and the USS pension increases.

These increases in underlying salary costs were offset by the reduction in the USS deficit provision movement from £13.9 million to £3.1 million, as explained above.

**Other operating expenses  
down £3.7 million (4.0%)**

Other operating expenses have decreased by 4.0% to £90.5 million reflecting lower expenditure on equipment, on maintenance, savings in non domestic rates and general reductions in non-salary expenditure to offset rising salary costs.

**Depreciation and  
amortisation down  
£1.0 million (3.7%)**

The decrease in depreciation and amortisation costs from £26.7 million to £25.7 million is attributable to a decrease of £2.5 million in the charge following a reassessment of the economic lives of a number of buildings. This has been offset by increases in equipment depreciation (£0.9 million) and amortisation (£0.3 million) following investments in infrastructure.



## Strategic Report continued

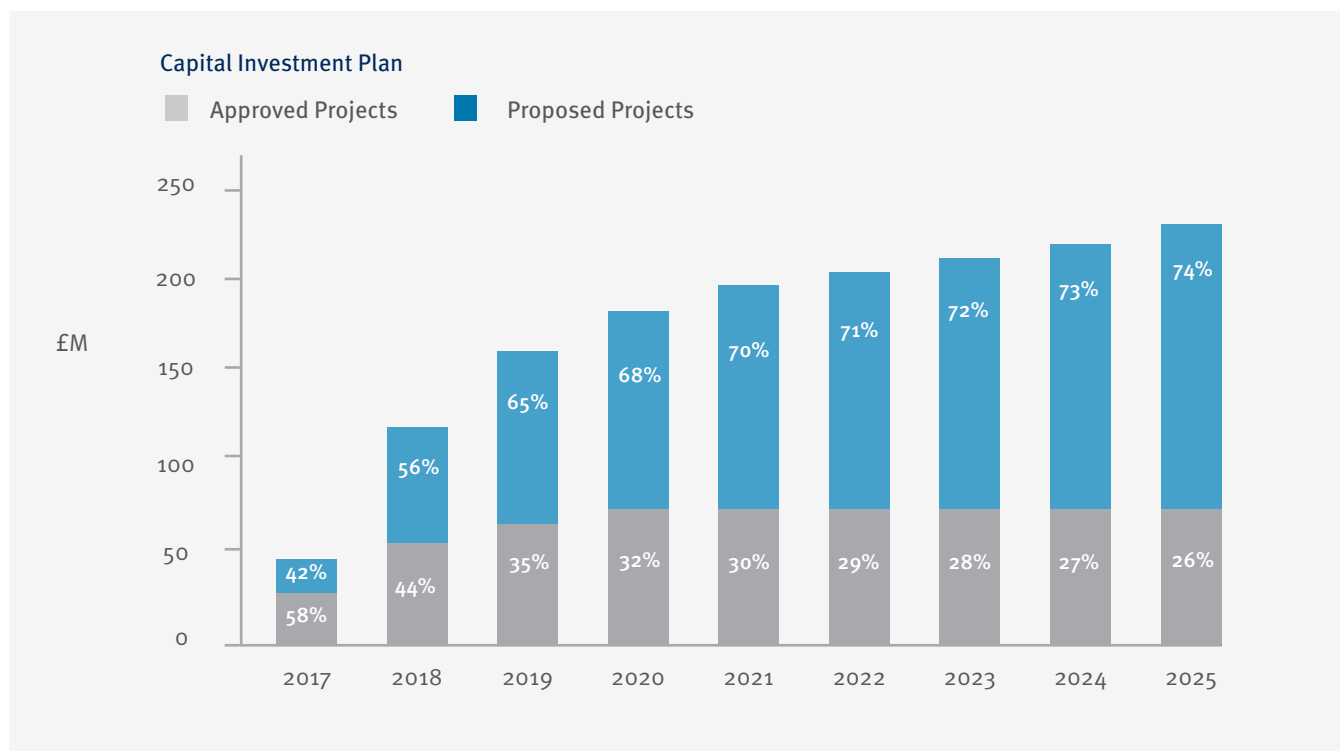
### FINANCIAL REVIEW CONTINUED

#### Investments in infrastructure

Since 2009, we have invested some £280 million towards the University's ten year plan to invest £350 million in transforming our estate. This has included new buildings such as the Strathclyde Institute of Pharmacy and Biomedical Sciences building, the Technology & Innovation Centre, the Advanced Forming Research Centre, the Power Networks Demonstration Centre and the John Anderson extension, all of which have added to the estate, and provided modern fit-for-purpose teaching and research accommodation.

The investment has also included significant refurbishment and transformation of existing buildings on campus to facilitate greater collaboration and enhance the student experience.

In November 2015, the University Court approved an updated Capital Investment Plan, which sets the financial basis for the development of the Estate for the ten years from 2016 at a total cost of £250 million.



Our ability to deliver this ambitious programme will be contingent on our continued operational performance and the achievement of improvements in operating surpluses.

## Strategic Report continued

### FINANCIAL REVIEW CONTINUED

#### Investments in infrastructure continued

##### Capital investment in land and buildings in 2016 totalled £11.9 million

##### Centre for Sports, Health and Wellbeing

Initial costs of £1.3 million were incurred on the new Centre for Sports, Health and Wellbeing. This £31 million project will integrate the needs of the Centre for Sport and Recreation, the Sports Union and the sport-related academic teaching and research functions of the University.

The distinctive new building, which will deliver a combination of wet and dry sports facilities and academic facilities, will provide a step change in improvement in the quality and range of facilities and activities provided by the University and will therefore significantly enhance the student experience, as well as helping to attract new students to the University.

Planning permission for the Centre was granted in August 2016 and it is scheduled for completion in August 2018.

##### Strathclyde Business School

Some £2.5 million was incurred during the year to complete the project to transform facilities for the Strathclyde Business School through a £23.2 million investment to create a single, state of the art building. Bringing the entire School together in a single business quarter has provided first class facilities for our staff and students, enabling the School to build upon its strengths in research, teaching and collaborative ventures.

##### Investment in residences

The University is engaged in a five year programme of capital investment and modernisation of its residences with a further £2.4 million incurred during 2016 on four residences.

##### Technology and Innovation Centre

Some £1.2 million was incurred during the year on fit out and final contractor costs for the Technology & Innovation Centre, the 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 is transforming 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.

## Strategic Report continued

### FINANCIAL REVIEW CONTINUED

#### Investments in infrastructure continued

##### Engineering Skills Academy

During the year, some £0.5 million was invested to develop the Engineering Skills Academy at the heart of the James Weir Building. The Engineering Academy is a new university programme developed to address key skills shortages and to enhance the professional and vocational skills of our graduates entering the workforce. To meet the university's commitment to deliver the practical skills element of the Engineering Academy a significant restructuring has been carried out to the layout of laboratory facilities to create bespoke space.

##### Combined Heat and Power District Energy Network

The University has commenced a project to construct an Energy Centre and Combined Heat and Power District Energy Network on campus. This innovative development supports the University's efforts to reduce its carbon footprint by installing a district energy scheme that will generate hot water and electricity using state of the art technology. Low carbon heat and power will be generated on-site in a refurbished energy centre and will be distributed to research and teaching buildings throughout the campus. This £19.7 million project is being partly funded by a grant of £8.0 million from SFC. Some £0.2 million was incurred during the year.

In addition to these substantial investments in physical infrastructure, the University continues to invest in its information systems. A new Student Information Management System, at a total cost of £14.6 million, is the largest such investment, with some £2.7 million incurred during the year. The Student Relationship Management module went live post year end with work continuing on the Admissions, Student Records, Curriculum and Student Financials workstreams.



## Strategic Report continued

### FINANCIAL REVIEW CONTINUED

#### Net funds and cash flow

At 31 July 2016 net funds totalled £20.9 million (2015 £13.4 million). Some £21.1 million of cash was generated from operations. Further details on cash flow movements are given in the Statement of Cash Flows.

#### 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 & Innovation Centre and the new Centre for Sports, Health and Wellbeing.

#### 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.

## Strategic Report continued

### FINANCIAL REVIEW CONTINUED

#### 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 £7.1 million. Given that the University paid a total of £102.0 million to trade creditors during the year, the amount outstanding at the year end represents 26 days (2015 29 days).

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

### LOOKING TO THE FUTURE

The decision taken in June to leave the EU is likely to have significant implications for the Higher Education Sector. The University will work to ensure that any adverse impact on staff and students is kept to an absolute minimum and will seek to maximise any opportunities that might result from the UK's departure from the EU.

The main financial focus over the next few years will be on increasing the level of surplus generated from operating activities. This will be essential in order to generate cash for future investment and to address increasing cost pressures, particularly in respect of staffing costs. Securing significant additional revenues from overseas tuition fees is a key element of our strategy to increase the level of non-governmental income.

Notwithstanding these challenges, the University will remain an investing institution with planned investments, over the course of the next two years, on a Combined Heat and Power District Energy Network, a refurbished Wolfson Building (which currently houses the Department of Biomedical Engineering) and a major investment in the Centre for Sport, Health and Wellbeing. The University is very well placed as a leading international technological university to maximise the benefits from these new investments.

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J S Perry  
Treasurer  
24 November 2016

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Chief Financial Officer  
24 November 2016

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# Statement of Corporate Governance and Internal Control

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## INTRODUCTION

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 2015/16 academic year.

In addition to this compliance, the University took the opportunity throughout 2015/16 to continually monitor and enhance the effectiveness and transparency of its governance arrangements through a range of actions. Changes to governance arrangements in previous years were monitored during 2015/16 and continued to operate effectively. In addition, a number of new arrangements were implemented. Collectively, these included:

- The operation of an effective and documented decision-making process through the continued operation of Court's Schedule of Delegated Authority.
- The use of the 'Court intermediary' 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 process for new members of Court in 2015/16, 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.
- The commencement of an open and transparent external recruitment exercise (continuing into 2016/17) in order to identify and appoint a new Convener of Court from 1 August 2017. This process was managed by the Court Membership Group (which includes staff and student Court members) and designed to be fully compliant with the requirements of the Scottish Code of Good Higher Education Governance.
- Publication of 2015/16 attendance rates of members at meetings of Court and its main committees.
- The consideration and approval by Court of a 2015/16 Operating Plan.
- The establishment by Court of an Enterprise and Investment Committee to consider and make recommendations on the University's commercial investment activities. This Committee includes lay members of Court, as well as external, co-opted experts, and reports regularly to Court.
- The implementation of regular and formal reporting on the development of the University's International Strategic Partnerships.
- The scrutiny and approval of Audit Committee and Court of changes to the preparation and presentation of the 2015/16 Financial Statements, resulting from the new UK Financial Reporting Standard (FRS102) and the revised Statement of Recommended Practice (SORP).
- Revisions to the University website, including publication of photos and updated biographies of Court members and the current 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 Key Performance Indicators 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 2015/16 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, an Estates Committee, and an Enterprise and Investment 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 and Staff as Governor (Scotland)' training course (1 October 2015).
- Leadership Foundation for Higher Education 'Being an effective Governor (Scotland)' training course (13 November 2015).
- Internal training - formal induction session for new members of Court (8 October 2015).

### 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

## Statement of Corporate Governance and Internal Control continued

Statutes, and also considers the matter of succession planning in relation to Court membership and in Court's representation on other University committees. A number of lay members are appointed to Court by external bodies.

No Court vacancies arose in 2015/16. However, as part of succession planning, the University commenced a recruitment exercise to identify a new Convener of Court from 1 August 2017. 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 prior to each meeting and independently with the Internal Auditors and with the External Auditors for 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 University's capital development programme.

### Enterprise and Investment Committee

The Enterprise and Investment Committee reports to Court and its purpose is to review commercial investment proposals and make recommendations on investments in companies created by the University's staff and students, as well as license deals and other commercial joint ventures.

### 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 Associate Principal & Executive Deans. In 2015/16 it generally 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.

The Court also plans to undertake an externally-facilitated review of effectiveness in summer 2017, in line with Code requirements



## Statement of Corporate Governance and Internal Control continued

### Risk Management

The University views risk management as integral to the successful execution of its Strategic Plan. There is an established business process for identifying, evaluating and managing the University's significant risks which complies with the FRCs, "Internal Control: Guidance for Directors", (formerly the Turnbull Committee Guidance) as far as it is applicable to Higher Education Institutions. 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 identified risks are evaluated and distilled, leading to the production of the Corporate Risk Register, incorporating the University's top risks, which is reviewed and managed by the Executive Team. The information is also used to inform the strategic planning process.

A Risk Group, chaired by the Chief Operating Officer, is responsible for supporting and advising the Executive Team and, through it, Audit Committee and Court on the implementation and monitoring of the risk framework.

The Corporate Risk Register was presented to Court at its October 2015 and May 2016 meetings, to enable Court to carry out its periodic assessment, which also takes into account reports from its various committees and events that have occurred since 31 July 2015. 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, receiving mid-year and annual progress reports on performance against the University's Key Performance Indicators, 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.

### Going concern

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

### 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 2016 and up to the date of signing the annual report and accounts.

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.

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J S Perry  
Treasurer  
24 November 2016

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# Statement of Primary Responsibilities of the University Court

## General

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, 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 plan;
- 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

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**We have audited the University of Strathclyde financial statements for the year ended 31 July 2016 which comprise the Statement of Principal Accounting Policies, Statement of Comprehensive Income and Expenditure, Statement of Changes in Reserves, Balance Sheet, Statement of Cash Flows and the related notes 1 to 27. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) including FRS 102 'The Financial Reporting Standard applicable in the UK and the Republic of Ireland'.**

This report is made solely to the University Court of the University of 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. 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 29 to 31, 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 auditor 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.

## **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 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, Strategic Report, Statement of Corporate Governance and Internal Control and Court Membership to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course

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

of performing the audit. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

### Opinion on financial statements

In our opinion the financial statements:

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

### Opinion on other matters prescribed by applicable regulations

In our opinion:

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

### Matters on which we are required to report by exception

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

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

The maintenance and integrity of the University of Strathclyde website is the responsibility of the University Court; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the web site. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Ernst & Young LLP  
Registered Auditor  
Glasgow

29 November 2016

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

# Statement of Comprehensive Income and Expenditure

for the year ended 31 July 2016

	Note	2016 £000	Restated 2015 £000
<b>Income</b>			
Funding Council grants	2	101,724	105,550
Tuition fees and education contracts	3	82,187	78,884
Research grants and contracts	4	59,921	69,636
Other income	5	33,346	32,206
Investment income	6	1,645	1,498
Donations and endowments	7	2,044	1,132
<b>Total income</b>		<b>280,867</b>	<b>288,906</b>
<b>Expenditure</b>			
Staff costs	8	154,302	159,268
Other operating expenses	10	90,462	94,206
Depreciation and amortisation	10	25,717	26,715
Interest and other finance costs	9	3,418	2,438
<b>Total expenditure</b>	<b>10</b>	<b>273,899</b>	<b>282,627</b>
<b>Surplus before other gains and losses</b>		<b>6,968</b>	<b>6,279</b>
Gain on disposal of fixed assets		7,952	-
Gain on investments	12	2,430	2,854
<b>Surplus before tax</b>		<b>17,350</b>	<b>9,133</b>
Taxation	11	(558)	(1,957)
<b>Surplus for the year</b>		<b>16,792</b>	<b>7,176</b>
Actuarial (loss)/gain in respect of pension scheme	24	(4,217)	2,242
<b>Total comprehensive income for the year</b>		<b>12,575</b>	<b>9,418</b>
<b>Represented by:</b>			
Endowment comprehensive income for the year		1,966	1,854
Unrestricted comprehensive income for the year		10,609	7,564
		<b>12,575</b>	<b>9,418</b>

The income and expenditure of the University relates wholly to continuing operations.

# Statement of Changes in Reserves

for the year ended 31 July 2016

	Income and Expenditure Account		Total
	Endowment £000	Unrestricted £000	£000
<b>Balance at 1 August 2014</b>	<b>27,040</b>	<b>258,954</b>	<b>285,994</b>
Surplus from the income and expenditure statement	1,854	5,322	7,176
Actuarial gain in respect of pension scheme	-	2,242	2,242
<b>Total comprehensive income for the year</b>	<b>1,854</b>	<b>7,564</b>	<b>9,418</b>
<b>Balance at 1 August 2015</b>	<b>28,894</b>	<b>266,518</b>	<b>295,412</b>
Surplus from the income and expenditure statement	1,966	14,826	16,792
Actuarial loss in respect of pension scheme	-	(4,217)	(4,217)
<b>Total comprehensive income for the year</b>	<b>1,966</b>	<b>10,609</b>	<b>12,575</b>
<b>Balance at 31 July 2016</b>	<b>30,860</b>	<b>277,127</b>	<b>307,987</b>

# Balance Sheet

as at 31 July 2016

	Note	2016 £000	2015 £000
<b>Non-current assets</b>			
Intangible assets	13	2,945	234
Tangible fixed assets	14	344,308	348,383
Investments	15	39,491	36,478
		<b>386,744</b>	<b>385,095</b>
<b>Current assets</b>			
Surplus assets for disposal	16	16,740	16,765
Stock		250	208
Debtors: amounts falling due within one year	17	27,940	22,976
amounts falling due after more than one year	17	2,729	858
Cash and cash equivalents	23	115,017	109,115
		<b>162,676</b>	<b>149,922</b>
Creditors: amounts falling due within one year	18	(79,447)	(84,179)
<b>Net current assets</b>		<b>83,229</b>	<b>65,743</b>
<b>Total assets less current liabilities</b>		<b>469,973</b>	<b>450,838</b>
Creditors: amounts falling due after more than one year	19	(91,832)	(94,140)
Pension provisions	20	(69,534)	(60,936)
Other provisions	20	(620)	(350)
<b>Total net assets</b>		<b>307,987</b>	<b>295,412</b>



# Balance Sheet

as at 31 July 2016 continued

	Note	2016 £000	2015 £000
<b>Represented by:</b>			
<b>Restricted reserves</b>			
Income and Expenditure reserve – endowments	21	30,860	28,894
<b>Unrestricted reserves</b>			
Income and Expenditure reserve – unrestricted		277,127	266,518
<b>Total reserves</b>		<b>307,987</b>	<b>295,412</b>

The Financial Statements were approved by the University Court on 24 November 2016, and signed on its behalf by:

Professor Sir J McDonald  
Principal and Vice-Chancellor

J S Perry  
Treasurer

D Coyle  
Chief Financial Officer

# Statement of Cash Flows

for the year ended 31 July 2016

	2016 £000	2015 £000
<b>Net cash inflow from operating activities</b>		
Surplus for the year	16,792	7,176
<b>Adjustment for non-cash items</b>		
Depreciation	25,383	26,686
Amortisation	334	29
Gain on investments	(2,430)	(2,791)
Increase in stocks	(42)	(7)
Decrease/(increase) in debtors	420	(6,109)
Decrease in creditors	(1,122)	(6,650)
Increase in pension provision	2,663	13,007
Increase in other provisions	270	-
<b>Adjustment for investing or financing activities</b>		
Investment income	(1,645)	(1,498)
Interest payable	3,418	2,438
New endowments	(345)	(65)
Gain on disposal of fixed assets	(7,952)	-
Capital grant income	(14,604)	(19,765)
<b>Net cash inflow from operating activities</b>	<b>21,140</b>	<b>12,451</b>
<b>Cash flows from investing activities</b>		
Proceeds from sale of fixed assets	1,012	595
Proceeds from sale of non-current asset investments	12,323	9,559
Capital grant receipts	13,939	14,505
Investment income	1,645	1,506
Payments to acquire fixed assets	(25,255)	(56,633)
Payments to acquire intangible assets	(3,045)	-
New non-current investments	(12,906)	(10,238)
	<b>(12,287)</b>	<b>(40,706)</b>

# Statement of Cash Flows

for the year ended 31 July 2016 continued

	Note	2016 £000	2015 £000
<b>Cash flows from financing activities</b>			
Interest paid		(1,696)	(417)
Endowment cash received		345	65
New unsecured loans		-	70,000
Repayments of amounts borrowed		(1,600)	(1,480)
		<b>(2,951)</b>	<b>68,168</b>
<b>Increase in cash and cash equivalents in the year</b>	<b>23</b>	<b>5,902</b>	<b>39,913</b>
<b>Cash and cash equivalents at 1 August</b>	<b>23</b>	<b>109,115</b>	<b>69,202</b>
<b>Cash and cash equivalents at 31 July</b>	<b>23</b>	<b>115,017</b>	<b>109,115</b>

# Notes to the Financial Statements

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## 1. Principal Accounting Policies

### Basis of preparation

These Financial Statements have been prepared in accordance with the Statement of Recommended Practice Accounting for Further and Higher Education (2015 SORP), in accordance with applicable Accounting Standards and in accordance with the Accounts Direction issued by the Scottish Funding Council.

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

The University is a public benefit entity and has applied the relevant public benefit requirement of FRS 102.

The Financial Statements do not include those of the Students' Association because the University does not control its activities or hold dominant influence over policy decisions.

### Income recognition

Income from the sale of goods or services is credited to the Statement of Comprehensive Income and Expenditure when the goods or services are supplied to the external customer.

### Tuition fees and educational contracts

Fee income is stated gross of any expenditure and credited to the Statement of Comprehensive Income and Expenditure over the period in which students study. 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.

Funds the University receives and disburses as paying agent on behalf of a funding body are excluded from the income and expenditure of the University where the University is exposed to minimal risk or enjoys minimal economic benefit related to the transaction.

### Grant funding

Grant funding, including funding council block grant, research grants from government sources, and grants (including research grants) from non-government sources are recognised as income when the University is entitled to the income and performance-related conditions have been met. Income received in advance of performance-related conditions being met is recognised as deferred income creditors on the Balance Sheet and released to income when the conditions are met.

### Donations and endowments

Non exchange transactions without performance-related conditions are donations and endowments. Donations and endowments with donor imposed restrictions are recognised in income when the University is entitled to the funds. Income is retained within the restricted reserve until such time as it is utilised in line with such restrictions, at which point the income is released to general reserves through a reserve transfer.

## 1. Principal Accounting Policies continued

### Income recognition continued

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

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

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

- Restricted donations – the donor has specified that the donation must be used for a particular objective
- Unrestricted permanent endowments – 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 has the power to use the capital
- 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

### Capital grants

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

### 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, until 31 March 2016, were 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 Section 28 of FRS 102 'Employee benefits', the University accounts for these schemes as if they were defined contribution schemes. As a result, the amount charged to the income and expenditure account represents the contributions payable to the scheme in respect of the accounting period.

Since the University has entered into an agreement with USS (the Recovery Plan that determines how each employer within the scheme will fund the overall deficit), the University recognises a liability for the contributions payable that arise from the agreement to the extent that they relate to the deficit and the resulting expense is included in the Statement of Comprehensive Income and Expenditure.



## 1. Principal Accounting Policies continued

### Accounting for retirement benefits continued

SPF is accounted for as a defined benefit scheme. The University's obligation is to provide the agreed benefits to current and former employees, and actuarial risk (that benefits will cost more or less than expected) and investment risk (that returns on assets set aside to fund the benefits will differ from expectations) are borne, in substance, by the University. The University recognises a liability for its obligations under the scheme, net of scheme assets. This net defined benefit liability is measured as the estimated amount of benefit that employees have earned in return for their service in the current and prior periods, discounted to determine its present value, less the fair value (at bid price) of plan assets. The calculation is performed by a qualified actuary using the projected unit credit method. Where the calculation results in a net asset, recognition of the asset is limited to the extent to which the University is able to recover the surplus either through reduced contributions in the future or through refunds from the scheme.

### Employment benefits

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

### Operating leases

Costs in respect of operating leases are charged on a straight-line basis over the lease term. Any lease premiums or incentives are spread over the minimum lease term.

### Foreign currencies

Transactions denominated in foreign currencies are translated to sterling 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 Statement of Comprehensive Income and Expenditure in the year in which they arise.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated to sterling using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are retranslated to sterling at foreign exchange rates ruling at the dates the fair value was determined.

### Intangible assets

Software which is not integral to the operation of any hardware with which it has been purchased is recorded as an intangible asset and is amortised over 5 - 10 years representing the remaining economic useful life of the assets.

Research and development costs are written off to the Statement of Comprehensive Income and Expenditure as incurred.

## 1. Principal Accounting Policies continued

### Tangible fixed assets

Tangible fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses. 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.

Certain items of tangible fixed assets that had been revalued to fair value on or prior to the date of transition to the 2015 SORP, are measured on the basis of deemed cost, being the revalued amount at the date of that revaluation.

Where parts of a tangible fixed asset have different useful lives, they are accounted for as separate components of tangible fixed assets.

### Land and buildings

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.

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.

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.

### Equipment

Equipment, including personal computers and software, costing less than £10,000 per individual item or group of related items, is recognised as expenditure 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 part of a capital project, it may be depreciated over periods of between 5 and 10 years.

### Borrowing costs

Borrowing costs are recognised as expenditure in the period in which they are incurred.

### 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.

## 1. Principal Accounting Policies continued

### 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 Statement of Comprehensive Income and Expenditure in the period it is incurred. The University has a planned maintenance programme, which is reviewed on an annual basis.

### Investments

All investments are initially recognised at cost and subsequently measured at fair value at each Balance Sheet date. Where fair value cannot be reliably measured or investments are not publicly traded (spin-out companies), they are measured at cost less impairment.

All gains and losses on investment assets, both realised and unrealised are recognised in the Statement of Comprehensive Income and Expenditure as they arise.

### Stock

Stocks for maintenance, catering and central stationery are valued at the lower of cost and selling price less costs to sell. Departmental stocks are charged to the Statement of Comprehensive Income and Expenditure 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.

A contingent liability arises from a past event that gives the University a possible obligation whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the University. Contingent liabilities also arise in circumstances where a provision would otherwise be made but either it is not probable that an outflow of resources will be required or the amount of the obligation cannot be measured reliably.

A contingent asset arises where an event has taken place that gives the University a possible asset whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the University.

Contingent assets and liabilities are not recognised in the Balance Sheet but are disclosed in the notes to the Financial Statements.

## 1. Principal Accounting Policies continued

### Cash and cash equivalents

Cash flows comprise increases or decreases in cash. Cash includes cash in hand, cash at bank, deposits repayable on demand and overdrafts. Deposits are repayable on demand if they are available within 24 hours without penalty.

Cash equivalents are short-term, highly-liquid investments that are readily convertible to known amounts of cash with insignificant risk of change in value.

### 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.

### Reserves

Reserves are classified as restricted or unrestricted. Restricted endowment reserves include balances which, through endowment to the University, are held as permanently restricted funds which the University must hold in perpetuity.

### Accounting estimates and judgements

In the application of accounting policies, management are required to make judgements, estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future period.

The following are the key assumptions and estimations that management have made in the process of applying the University's accounting policies and that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year:

- Pensions liabilities – the key assumptions made in deriving these figures are explained in detail in note 24
- Useful lives of assets – the accounting arrangements and key considerations are explained in detail in the accounting policies above and note 14

## 1. Principal Accounting Policies continued

### Transition to 2015 SORP

The University is preparing its financial statements in accordance with FRS 102 for the first time and consequently has applied the first time adoption requirements. An explanation of how the transition to the 2015 SORP has affected the reported financial position, financial performance and cash flows of the University is provided in Note 25.

Application of first time adoption grants certain exemption from the full requirements of the 2015 SORP in the transition period. The following exemption has been taken into these Financial Statements – land has been revalued at fair value at 31 July 2014 and that value has been used as the deemed cost.

During the course of the financial year the University undertook a detailed review of all income and expenditure being recorded in the Financial Statements, resulting in a number of management decisions to reclassify certain income and expenditure streams across the Financial Statements. These adjustments have no impact on the overall deficit or surplus in the financial year, but are reallocations of balances between income and expenditure codes. To ensure consistency across the Financial Statements the adjustments have been retrospectively applied to the prior year Financial Statements. The Statement of Comprehensive Income and Expenditure and corresponding notes have been disclosed as restated as appropriate.

### Legal form

The University is a body corporate established in Scotland by Royal Charter in 1962.

## 2. Funding Council grants

	2016 £000	2015 £000
<b>Recurrent grants</b>		
General Fund – Teaching	65,923	64,627
General Fund – Research and Knowledge Exchange	23,247	23,380
Capital grants	6,622	11,094
<b>Total recurrent grants</b>	<b>95,792</b>	<b>99,101</b>
<b>Specific grants</b>		
Strategic funding	2,875	4,421
Ring-fenced grants funded by Scottish Government	1,616	1,282
Other SFC grants	1,441	746
<b>Total specific grants</b>	<b>5,932</b>	<b>6,449</b>
	<b>101,724</b>	<b>105,550</b>

## 3. Tuition fees and education contracts

	2016 £000	Restated 2015 £000
Scotland and EU fees	31,702	30,883
Rest of UK fees	2,330	1,248
Non-EU fees	34,353	32,788
Non-credit bearing course fees	5,391	6,072
Education contracts	1,658	1,850
Other contracts	6,753	6,043
	<b>82,187</b>	<b>78,884</b>



#### 4. Research grants and contracts

	2016 £000	2015 £000
Research Councils	16,740	18,483
UK based charities	3,464	4,233
European Commission	5,652	6,804
Other grants and contracts – recurring	26,369	22,791
– non-recurring (RDEC)	2,611	8,966
<b>Other grants and contracts</b>	<b>28,980</b>	<b>31,757</b>
Capital grants	5,085	8,359
	<b>59,921</b>	<b>69,636</b>

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

#### 5. Other income

	2016 £000	Restated 2015 £000
Residences and catering	11,702	12,130
Other services rendered	12,200	13,003
Capital grants	2,897	312
Royalty income	500	557
Accommodation charges and rental income	420	212
Other income	5,627	5,992
	<b>33,346</b>	<b>32,206</b>

## 6. Investment income

	2016 £000	2015 £000
Investment income on endowments	715	738
Other investment income	380	330
Interest receivable	550	430
	<b>1,645</b>	<b>1,498</b>

## 7. Donations and endowments

	2016 £000	2015 £000
New endowments	345	65
Donations with restrictions	785	126
Unrestricted donations	914	941
	<b>2,044</b>	<b>1,132</b>

## 8. Staff costs

	Note	2016 £000	2015 £000
Wages and salaries		122,027	118,280
Social security costs		10,271	9,593
Movement on USS provision	20	3,135	13,873
Other pension costs	24	18,869	17,522
		<b>154,302</b>	<b>159,268</b>
<b>Average staff numbers by major category</b>		<b>2016 Number</b>	<b>2015 Number</b>
Academic		976	921
Professional Services		1,283	1,240
Research		481	484
Operational		656	645
		<b>3,396</b>	<b>3,290</b>
		<b>2016 £000</b>	<b>2015 £000</b>
Total remuneration of the Principal and Vice-Chancellor including pension contributions		<b>360</b>	<b>343</b>

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 pension 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.

## 8. Staff costs continued

The number of staff, including senior postholders other than the Principal, who received emoluments in excess of £100,000, excluding employer's pension contributions, are set out in the following table. The figures shown in the ranges 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	2016 Other	Total	Senior	2015 Other	Total
£100,001 - £110,000	1	10	11	-	14	14
£110,001 - £120,000	1	7	8	1	10	11
£120,001 - £130,000	-	4	4	-	4	4
£130,001 - £140,000	2	1	3	-	-	-
£140,001 - £150,000	-	1	1	1	-	1
£150,001 - £160,000	-	-	-	1	1	2
£160,001 - £170,000	-	-	-	-	1	1
£170,001 - £180,000	3	2	5	1	-	1
£200,001 - £210,000	-	-	-	1	1	2
	<b>7</b>	<b>25</b>	<b>32</b>	<b>5</b>	<b>31</b>	<b>36</b>

Payments in respect of compensation for loss of office are provided in the Financial Statements in the year of termination of office. There was no aggregate compensation for loss of office of staff whose earnings are more than £100,000 per annum or where the costs of all elements of a proposed arrangement amount to more than £100,000 in either year.

## 9. Interest and other finance costs

	2016 £000	2015 £000
Loan interest	1,699	997
Net charge on pension scheme	831	973
Finance charge of USS pension deficit	888	468
	<b>3,418</b>	<b>2,438</b>

## 10. Analysis of expenditure by activity

	Staff Costs £000	Other operating expenses £000	Interest and other finance costs £000	2016 total £000	Restated 2015 total £000
Academic departments	81,700	15,215	-	96,915	94,614
Academic services	9,825	7,501	-	17,326	17,955
Research grants and contracts	22,169	15,206	-	37,375	35,731
Administration and central services	17,162	6,218	-	23,380	23,604
General educational expenditure	662	14,472	-	15,134	14,844
Residences and catering	3,254	3,804	-	7,058	7,049
Premises	9,291	18,168	-	27,459	27,485
Other expenses	10,239	9,878	3,418	23,535	34,630
	<b>154,302</b>	<b>90,462</b>	<b>3,418</b>	<b>248,182</b>	<b>255,912</b>
Depreciation				25,383	26,656
Amortisation				334	59
<b>Total per income and expenditure account</b>				<b>273,899</b>	<b>282,627</b>
Other operating expenses include:					
External auditor's remuneration – audit services				91	62
External auditor's remuneration – non-audit services				50	45

## 11. Taxation

	2016 £000	2015 £000
Current tax:		
UK Corporation tax at 20% (2015 20.67%)	558	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:

Reconciliation of current year UK corporation tax charge	2016 £000	2015 £000
Surplus after depreciation of assets at cost and before taxation	17,350	8,428
Adjustment to surplus to reflect changes from FRS 102 to previous UK GAAP	-	8,485
	<b>17,350</b>	<b>16,913</b>
Surplus on ordinary activities multiplied by the average standard rate of corporation tax in the UK of 20% (2015 20.67%)	3,470	3,496
Surplus falling within charitable exemption	(2,912)	(1,539)
	<b>558</b>	<b>1,957</b>



## 12. Other gains and losses

	2016 £000	2015 £000
Gain on disposal of land and buildings	7,952	-
Gain on investments:		
Gain on disposal of spin-out companies	-	574
Gain on disposal of other investments	15	-
Increase in market value of investments	2,415	2,280
	<b>2,430</b>	<b>2,854</b>

## 13. Intangible assets

	2016 £000	2015 £000
At 1 August	234	293
Additions	3,045	-
Amortisation charge	(334)	(59)
<b>At 31 July</b>	<b>2,945</b>	<b>234</b>

## 14. Tangible fixed assets

Land and buildings	Freehold £000	Long leasehold £000	Assets under construction £000	Equipment £000	Total £000
<b>Cost</b>					
At 1 August 2015	462,605	11,111	-	60,473	534,189
Additions	9,500	419	1,940	9,619	21,478
Disposals	(626)	-	-	(5,705)	(6,331)
<b>At 31 July 2016</b>	<b>471,479</b>	<b>11,530</b>	<b>1,940</b>	<b>64,387</b>	<b>549,336</b>
<b>Depreciation</b>					
At 1 August 2015	149,263	9,245	-	27,298	185,806
Charge for year	14,966	336	-	10,081	25,383
Disposals	(456)	-	-	(5,705)	(6,161)
<b>At 31 July 2016</b>	<b>163,773</b>	<b>9,581</b>	<b>-</b>	<b>31,674</b>	<b>205,028</b>
<b>Net book value at 31 July 2016</b>	<b>307,706</b>	<b>1,949</b>	<b>1,940</b>	<b>32,713</b>	<b>344,308</b>
<b>Net book value at 31 July 2015</b>	<b>313,342</b>	<b>1,866</b>	<b>-</b>	<b>33,175</b>	<b>348,383</b>

## 14. Tangible fixed assets continued

At 31 July 2016, freehold land and buildings included £30,450,000 (2015 £30,450,000) in respect of freehold land which is not depreciated.

Buildings with a net book value of £284,146,000 and cost of £434,754,000 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.

During the year, management reassessed the remaining useful lives of a number of buildings in line with its most recent Estate Strategy. The impact of this was to increase the remaining useful lives for those buildings, which resulted in a reduction of the depreciation charge in 2015/16 by some £2.5 million.

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 campus, 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.

## 15. Fixed asset investments

	2016 £000	2015 £000
At 1 August	36,478	33,604
Additions	12,924	9,860
Disposals	(12,307)	(9,643)
Increase in market value of investments	2,415	2,280
Decrease in cash balances	(19)	377
<b>At 31 July</b>	<b>39,491</b>	<b>36,478</b>
Represented by:		
Fixed interest investments (listed)	7,210	5,975
Equities (listed)	28,400	26,823
Cash at bank	2,074	2,297
Spin-out company investments	1,807	1,383
	<b>39,491</b>	<b>36,478</b>

Investments are stated at market value apart from investments in projects emanating from the University's research activities 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		31/7/16
University of Strathclyde Properties Limited	100		Dormant	31/7/16
Haleno Limited	100		Dormant	31/7/16
SGBS Limited	100		Dormant	31/7/16

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.

## 16. Surplus assets for disposal

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

The University concluded conditional missives with a developer on 1 April 2016 and is now working with the developer to purify the various terms and conditions within the missives with the aim of creating an unconditional contract for sale.

## 17. Debtors

	2016 £000	2015 £000
<b>Amounts falling due within one year:</b>		
Debtors	12,522	10,837
Prepayments and accrued income	15,418	12,139
	<b>27,940</b>	<b>22,976</b>
<b>Amounts falling due after more than one year:</b>		
Prepayments and accrued income	2,729	858
	<b>30,669</b>	<b>23,834</b>

## 18. Creditors: amounts falling due within one year

	2016 £000	2015 £000
Unsecured loans	2,308	1,600
Creditors	18,532	13,602
Social security and other taxation payable	3,346	2,960
Accruals	14,179	20,863
Deferred income	41,082	45,154
	<b>79,447</b>	<b>84,179</b>

### Deferred income

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

	2016 £000	2015 £000
Donations	1,048	-
Research grants received on account	16,199	14,568
Grant income	12,249	16,433
Other income	11,586	14,153
	<b>41,082</b>	<b>45,154</b>



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

	2016 £000	2015 £000
<b>Analysis of unsecured loans:</b>		
Due within one year or on demand	2,308	1,600
Due between one and two years	4,827	2,308
Due between two and five years	14,698	14,590
Due in five years or more	72,307	77,242
	<b>94,140</b>	<b>95,740</b>
Due within one year or on demand	(2,308)	(1,600)
<b>Due after more than one year</b>	<b>91,832</b>	<b>94,140</b>

An unsecured bank loan of £90 million (2015 £90 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 £3,540,000 (2015 £5,140,000) is repayable by instalments between 1 August 2016 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 (2015 £600,000) from Salix Finance Ltd which are partially repayable in five years or more. The dates and quantum of repayments are wholly dependent on 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

	Obligation to fund deficit on USS pension £000	Pension enhancements £000	Defined benefit obligations (Note 24) £000	Total pension provisions £000	Other provisions £000	Total £000
At 1 August 2015	29,984	7,171	23,781	60,936	350	61,286
Utilised in year	-	(690)	-	(690)	(130)	(820)
Additions in year	3,135	333	5,005	8,473	400	8,873
Unwinding of discount	888	-	-	888	-	888
Unused amounts reversed in year	-	(73)	-	(73)	-	(73)
<b>At 31 July 2016</b>	<b>34,007</b>	<b>6,741</b>	<b>28,786</b>	<b>69,534</b>	<b>620</b>	<b>70,154</b>

### Obligation to fund deficit on USS pension

The obligation to fund the past deficit on the Universities' Superannuation Scheme (USS) arises from the contractual obligation with the pension scheme for total payments relating to benefits arising from past performance. The provision has been calculated by estimating future pension payments by the University and applying the deficit recovery contributions outlined in the USS deficit recovery plan published in June 2015. The weighted average discount factor over the remainder of the 17-year deficit recovery plan applied is 1.71% (2015 2.96%).

### Pension enhancements

The University has an obligation in respect of former employees who have retired and for whom an enhanced pension has been provided. Some £6,726,000 (2015 £6,971,000) of this liability continues throughout the retirement period and is assessed by independent actuarial valuation. The principal assumptions are a discount rate of 2.4% (2015 3.6%) and pension increases of 1.7% (2015 2.1%). The balance of £15,000 (2015 £200,000) 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.

## 21. Endowments

	Unrestricted permanent £000	Restricted permanent £000	Total permanent £000	Restricted expendable £000	2016 total £000	2015 total £000
At 1 August						
Capital	4,526	20,744	25,270	-	25,270	23,462
Accumulated income	-	2,757	2,757	867	3,624	3,578
	<b>4,526</b>	<b>23,501</b>	<b>28,027</b>	<b>867</b>	<b>28,894</b>	<b>27,040</b>
New endowments	9	336	345	-	345	65
Investment income	126	586	712	3	715	738
Expenditure	(126)	(467)	(593)	(140)	(733)	(705)
	<b>-</b>	<b>119</b>	<b>119</b>	<b>(137)</b>	<b>(18)</b>	<b>33</b>
Increase in market value of investments	628	1,000	1,628	11	1,639	1,756
<b>At 31 July</b>	<b>5,163</b>	<b>24,956</b>	<b>30,119</b>	<b>741</b>	<b>30,860</b>	<b>28,894</b>
Represented by:						
Capital	5,163	22,080	27,243	-	27,243	25,270
Accumulated income	-	2,876	2,876	741	3,617	3,624
	<b>5,163</b>	<b>24,956</b>	<b>30,119</b>	<b>741</b>	<b>30,860</b>	<b>28,894</b>

## 21. Endowments continued

Analysis by type of purpose	Unrestricted permanent £000	Restricted permanent £000	Total permanent £000	Restricted expendable £000	2016 total £000	2015 total £000
Scholarship	1,621	7,518	9,139	127	9,266	8,622
Chair	-	1,635	1,635	-	1,635	1,607
Entrepreneurship	-	6,184	6,184	-	6,184	5,691
Lectureships	-	1,037	1,037	210	1,247	1,250
Prizes	-	1,282	1,282	-	1,282	1,215
Research support	-	5,906	5,906	288	6,194	6,115
General	3,542	1,394	4,936	116	5,052	4,394
	<b>5,163</b>	<b>24,956</b>	<b>30,119</b>	<b>741</b>	<b>30,860</b>	<b>28,894</b>

### 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 2015	5,015	1,409	2,111	1,549
Investment income	220	36	51	35
Expenditure	(230)	(9)	(50)	(34)
Increase in market value of investments	471	67	18	34
<b>At 31 July 2016</b>	<b>5,476</b>	<b>1,503</b>	<b>2,130</b>	<b>1,584</b>

## 21. Endowments continued

Analysis by asset	2016 £000	2015 £000
Current and non-current asset investments	25,322	23,754
Cash and cash equivalents	5,538	5,140
	30,860	28,894
Cash held at Investment Manager	1,686	1,497
Cash held at University	3,852	3,643

## 22. Capital commitments

	2016 £000	2015 £000
<b>Commitments contracted at 31 July</b>	<b>1,655</b>	<b>685</b>
Of the above commitments, £398,000 (2015 £280,000) will be funded from external sources.		

## 23. Reconciliation of cash flow to statement of financial position

	At 1 August 2015 £000	Cash Flow £000	At 31 July 2015 £000
Cash and cash equivalents	109,115	5,902	115,017
Loans	(95,740)	1,600	(94,140)
<b>Net cash inflow from operating activities</b>	<b>13,375</b>	<b>7,502</b>	<b>20,877</b>

## 24. 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).

	Note	2016 £000	2015 £000
The pension costs for the year were:			
USS		15,472	14,380
SPF		3,341	3,082
STSS		56	60
	8	<b>18,869</b>	<b>17,522</b>

With the exception of SPF, the University has, as permitted by FRS 102, accounted for these schemes as though they were defined contribution schemes and the costs recognised within the University's Statement of Comprehensive Income and Expenditure is equal to the contributions payable to the schemes in the year.

		2016 £000	2015 £000
Outstanding contributions at 31 July were:			
USS		1,546	1,289
SPF		258	266
STSS		5	5
		<b>1,809</b>	<b>1,560</b>

## 24. Pension schemes continued

### Universities Superannuation Scheme

The University participates in the Universities Superannuation Scheme (USS), a defined benefit scheme which, until 31 March 2016, was 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 2016, the percentage was 16% until 31 March 2016 and thereafter 18% (2015 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 Section 28 of FRS 102 'Employee 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 full actuarial valuation of the scheme was at 31 March 2014 ('the valuation date'), which was carried out using the projected unit method.

Since the University is unable to identify its share of the underlying assets and liabilities of the scheme, the following disclosures reflect those relevant for the scheme as a whole.

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

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

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



## 24. Pension schemes continued

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

Male members' mortality	98% of S1NA ("light") YoB tables – no age rating
Female members' mortality	99% of S1NA ("light") YoB tables – rated down 1 year

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

	2016	2015
Males currently aged 65	24.3 years	24.2 years
Females currently aged 65	26.5 years	26.3 years
Males currently aged 45	26.4 years	26.2 years
Females currently aged 45	28.8 years	28.6 years
	<b>2016</b>	<b>2015</b>
<b>Existing benefits</b>		
Scheme assets	£49.6bn	£49.0bn
FRS 102 liabilities	£58.3bn	£67.6bn
FRS 102 total scheme deficit	£8.5bn	£11.1bn
FRS 102 total funding level	85%	82%

## 24. Pension schemes continued

### 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 the scheme is accounted for as if it were a defined benefit scheme.

SPF is an externally funded, multi-employer, defined benefits scheme which, until 31 March 2016, was 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 results below are based on rolling forward the previous valuation results to 31 July 2016.

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

	2016	2015
Rate of increase of salaries (see note a)	3.9%*	4.3%**
Rate of increase in pensions in payment (see note b)	1.9%	2.4%
Discount rate	2.4%	3.5%

(a) \* The salary increase assumption is 1.8% for the year to 31 July 2017, 2.5% for the year to 31 July 2018, 2.8% for the year to July 2019 and 3.9% thereafter.

\*\* The salary increase assumption is 1.9% for the year to 31 July 2016, 1.9% for the year to 31 July 2017, 2.3% for the year to 31 July 2018 and 4.3% thereafter.

(b) The rate of increase in pensions at 31 July 2016 is based on CPI.

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

	At 31 July 2016	At 31 July 2015
Current Pensioners		
Males	22.1 years	22.1 years
Females	23.6 years	23.6 years
Future Pensioners		
Males	24.8 years	24.8 years
Females	26.2 years	26.2 years

## 24. Pension schemes continued

The fair value of the University's share of the assets and liabilities in the scheme were measured in accordance with the requirements of Section 28 of FRS 102 'Employee benefits' and the expected rates of return were as follows. The expected return on assets has been derived as the weighted average of the expected returns from each of the main asset classes.

	2016 £000	2015 £000	2014 £000
Equities	133,777	122,300	119,413
Bonds	29,321	19,568	18,855
Property	20,158	19,568	10,999
Cash	-	1,631	7,856
<b>Total</b>	<b>183,256</b>	<b>163,067</b>	<b>157,123</b>
Weighted average long expected rate of return	2.4%	3.5%	6.0%
		2016 £000	2015 £000
<b>Analysis of the amount shown in the Balance Sheet for SPF defined benefit obligation</b>			
Scheme assets		183,256	163,067
Scheme liabilities		(212,042)	(186,848)
<b>Deficit in the scheme – defined benefit obligations (note 20)</b>		<b>(28,786)</b>	<b>(23,781)</b>
<b>Analysis of the amount included in operating expenditure</b>			
Current service cost		3,341	3,062
Past service cost		-	7
Loss on curtailments		-	13
<b>Total operating charge</b>		<b>3,341</b>	<b>3,082</b>

## 24. Pension schemes continued

Analysis of the amount (charged) to interest payable	2016 £000	2015 £000
Interest cost	(6,480)	(7,033)
Expected return on assets	5,649	6,060
Net charge to other finance income	(831)	(973)
<b>Analysis of Other Comprehensive Income for SPF pensions</b>		
Actual return less expected return on scheme assets	17,919	3,201
Losses on scheme liabilities	(22,136)	(959)
<b>Total (loss)/gain recognised via Statement of Comprehensive Income and Expenditure during year</b>	<b>(4,217)</b>	<b>2,242</b>

History of experience gains and losses	2016 £000	2015 £000
Difference between the expected and actual returns on assets	17,919	(62)
Percentage of scheme assets	9.8%	(0.0%)
Losses on scheme liabilities	(22,136)	(959)
Percentage of scheme liabilities	(10.4%)	(0.59%)
Total amount recognised in Other Comprehensive Income	(4,217)	2,242
Percentage of scheme liabilities	(2.0%)	1.2%

The contribution rate payable by the University was 22.7% of pensionable salary (2015 22.7%).

## 24. Pension schemes continued

Movements in present value of defined benefit obligations	2016 £000	2015 £000
Present value of obligations at 1 August	186,848	182,036
Current service cost (net of member contributions)	3,341	3,062
Past service cost	-	7
Loss on curtailments	-	13
Interest cost	6,480	7,033
Actuarial losses	22,136	959
Contributions by members	620	644
Estimated unfunded benefits paid	(178)	(178)
Benefits paid	(7,205)	(6,728)
<b>At 31 July</b>	<b>212,042</b>	<b>186,848</b>

Movements in fair value of plan assets	2016 £000	2015 £000
At 1 August	163,067	157,123
Expected return on plan assets	5,649	6,060
Actuarial gains	17,919	3,201
Contributions by the employer	3,206	2,767
Contributions in respect of unfunded benefits	178	178
Contributions by members	620	644
Unfunded benefits paid	(178)	(178)
Benefits paid	(7,205)	(6,728)
<b>At 31 July</b>	<b>183,256</b>	<b>163,067</b>

### 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% until 31 August 2015 and 17.2% thereafter (2015 14.9%) of members' salaries.

## 25. Transition to FRS 102 and the 2015 SORP

As explained in the accounting policies, these are the University's first Financial Statements prepared in accordance with FRS 102 and the 2015 SORP. The accounting policies set out in Note 1 have been applied in preparing the Financial Statements for the year ended 31 July 2016, the comparative information presented for the year ended 31 July 2015 and in the preparation of an opening FRS 102 Statement of Financial Position at 1 August 2014.

In preparing its FRS 102, SORP based Balance Sheet, the University has adjusted amounts reported previously in Financial Statements prepared in accordance with its old basis of accounting (the 2007 SORP). An explanation of how the transition to FRS 102 and the SORP has affected the University's Balance Sheet and financial performance is set out in the tables on the following pages.

## 25. Transition to FRS 102 and the 2015 SORP continued

## Balance Sheet – Net Assets

	Notes	2007 SORP £000	1 August 2014 Effect of Transition to FRS 102 £000	FRS 102 £000	2007 SORP £000	31 July 2015 Effect of Transition to FRS 102 £000	FRS 102 £000
<b>Non-current assets</b>							
Intangible assets	a	-	263	263	-	234	234
Fixed assets	a, b	294,480	24,087	318,567	324,267	24,116	348,383
Investments	c	10,286	23,318	33,604	11,227	25,251	36,478
<b>Total non-current assets</b>		<b>304,766</b>	<b>47,668</b>	<b>352,434</b>	<b>335,494</b>	<b>49,601</b>	<b>385,095</b>
<b>Endowment assets</b>	c	<b>27,040</b>	<b>(27,040)</b>	<b>-</b>	<b>28,894</b>	<b>(28,894)</b>	<b>-</b>
<b>Current assets</b>							
Surplus assets for disposal		16,765	-	16,765	16,765	-	16,765
Stock		201	-	201	208	-	208
Debtors		14,756	-	14,756	23,834	-	23,834
Investments	d	5,000	(5,000)	-	-	-	-
Cash and cash equivalents	c, d	60,480	8,722	69,202	105,472	3,643	109,115
		<b>97,202</b>	<b>3,722</b>	<b>100,924</b>	<b>146,279</b>	<b>3,643</b>	<b>149,922</b>
Creditors: amounts falling due within one year	e, f	(84,051)	(8,493)	(92,544)	(76,013)	(8,166)	(84,179)
<b>Net current assets</b>		<b>13,151</b>	<b>(4,771)</b>	<b>8,380</b>	<b>70,266</b>	<b>(4,523)</b>	<b>65,743</b>
<b>Total assets less current liabilities</b>		<b>344,957</b>	<b>15,857</b>	<b>360,814</b>	<b>434,654</b>	<b>16,184</b>	<b>450,838</b>
Creditors: amounts falling due after more than one year		(25,740)	-	(25,740)	(94,140)	-	(94,140)



## 25. Transition to FRS 102 and the 2015 SORP continued

### Balance Sheet – Net Assets continued

	Notes	2007 SORP £000	1 August 2014 Effect of Transition to FRS 102 £000	FRS 102 £000	31 July 2015 Effect of Transition to FRS 102 £000	2007 SORP £000	FRS 102 £000
<b>Provisions</b>							
Provisions for pension enhancements		(8,012)	-	(8,012)	(7,171)	-	(7,171)
Other pension liability	g	(24,913)	(15,805)	(40,718)	(23,781)	(29,984)	(53,765)
Other provision		(350)	-	(350)	(350)	-	(350)
<b>Total provisions</b>		<b>(33,275)</b>	<b>(15,805)</b>	<b>(49,080)</b>	<b>(31,302)</b>	<b>(29,984)</b>	<b>(61,286)</b>
<b>Total net assets</b>		<b>285,942</b>	<b>52</b>	<b>285,994</b>	<b>309,212</b>	<b>(13,800)</b>	<b>295,412</b>

## 25. Transition to FRS 102 and the 2015 SORP continued

Balance Sheet – Net Funds							
	Notes	2007 SORP £000	1 August 2014 Effect of Transition to FRS 102 £000	FRS 102 £000	2007 SORP £000	31 July 2015 Effect of Transition to FRS 102 £000	FRS 102 £000
Deferred capital grants	f	147,325	(147,325)	-	153,741	(153,741)	-
Endowment funds	h	27,040	(27,040)	-	28,894	(28,894)	-
<b>Restricted reserves</b>							
Income and Expenditure reserve – endowments	h	-	27,040	27,040	-	28,894	28,894
<b>Unrestricted reserves</b>							
Income and Expenditure reserve – unrestricted	j	110,152	148,802	258,954	124,774	141,744	266,518
Revaluation reserve	i	1,425	(1,425)	-	1,803	(1,803)	-
<b>Total net funds</b>		<b>285,942</b>	<b>52</b>	<b>285,994</b>	<b>309,212</b>	<b>(13,800)</b>	<b>295,412</b>

## 25. Transition to FRS 102 and the 2015 SORP continued

### Notes to the Balance Sheet transition statement

On transition to FRS 102:

- a) software which is not integral to the operation of any hardware with which it has been purchased has been reclassified from tangible fixed assets to intangible assets. The value of such assets was £263,000 at 1 August 2014 and £234,000 at 31 July 2015.
- b) the University adopted the transitional provisions of FRS 102 to measure land at fair value on the date of transition (1 August 2014) and to use that fair value as the deemed cost. The total increase in the value of land was £24,350,000. This has resulted in a corresponding increase in unrestricted reserves.
- c) the assets of the endowment funds, which were previously separately identified on the Balance Sheet, are now recognised within the underlying asset type. At 1 August 2014, endowment assets totaling £23,318,000 were recognised as fixed asset investments with a further £3,722,000 being included within cash and cash equivalents. At 31 July 2015 endowment assets totaling £25,251,000 were recognised as fixed asset investments with a further £3,643,000 being included within cash and cash equivalents.
- d) the definition of cash and cash equivalents has been amended and now includes deposits and investments with up to three months until maturity at placement. At 1 August 2014, included within current asset investments were £5,000,000 of such deposits and these are now shown within cash and cash equivalents.
- e) an accrual has been recognised for the cost associated with any staff annual leave untaken at 31 July. This totalled £2,477,000 at 1 August 2014 and £2,639,000 at 31 July 2015.
- f) the accounting policy for capital grants has been amended with grants now being recognised in income when the University is entitled to the funds subject to any performance related conditions being met. Previously such grants were deferred and then released over the life of the underlying asset. This change has resulted in £6,016,000 of grants where performance conditions had not been met at 1 August 2014 being included in deferred income (£5,527,000 at 31 July 2015). The balance of the former deferred capital grants (£141,309,000 at 1 August 2014 and £148,214,000 at 31 July 2015) have been released to the unrestricted Income and Expenditure reserve.
- g) provision has been made for the estimated cost of the deficit recovery plan for USS (£15,805,000 at 1 August 2014 and £29,983,000 at 31 July 2015).
- h) endowment funds totalling £27,040,000 at 1 August 2014 and £28,894,000 at 31 July 2015 are now included in restricted reserves, in the Income and Expenditure reserve – endowments.
- i) on adoption of FRS 102, the University adopted the transitional provisions to measure fixed asset investments at fair value on the date of transition and to use that fair value as deemed cost. This had no impact on the carrying value of the investments but has resulted in the revaluation reserve being released to unrestricted reserves.
- j) this adjustment reflects various adjustments explained in notes b, e, f, g and i.

## 25. Transition to FRS 102 and the 2015 SORP continued

Balance Sheet	1 August 2014 £000	31 July 2015 £000
Total reserves under 2007 SORP	111,577	126,577
Revaluation of land at 31 July 2014	24,350	24,350
Release of deferred capital grants	141,309	148,214
Provision for USS deficit	(15,805)	(29,984)
Accrual for annual leave	(2,477)	(2,639)
Endowments	27,040	28,894
<b>Total effect of transition to FRS 102</b>	<b>174,417</b>	<b>168,835</b>
<b>Total reserves under FRS 102 and 2015 SORP</b>	<b>285,994</b>	<b>295,412</b>

## 25. Transition to FRS 102 and the 2015 SORP continued

Statement of Comprehensive Income and Expenditure		31 July 2015		
		2007	Effect of	FRS 102
		SORP	Transition	FRS 102
Notes	2007	to FRS 102	FRS 102	FRS 102
	£000	£000	£000	£000
<b>Income</b>				
Funding Council grants	a	101,796	3,754	105,550
Tuition fees and education contracts	b	85,936	(2,000)	83,936
Research grants and contracts	c	65,473	4,163	69,636
Other income	d, e	33,270	(2,079)	31,191
Investment income	f	3,788	(2,290)	1,498
Donations and endowments	d	-	1,132	1,132
<b>Total income</b>		<b>290,263</b>	<b>2,680</b>	<b>292,943</b>
<b>Expenditure</b>				
Staff costs	g	145,395	13,873	159,268
Other operating expenses	b	100,243	(2,000)	98,243
Depreciation		26,715	-	26,715
Interest and other finance costs	f, h	997	1,441	2,438
<b>Total expenditure</b>		<b>273,350</b>	<b>13,314</b>	<b>286,664</b>
<b>Surplus before other gains and losses</b>		<b>16,913</b>	<b>(10,634)</b>	<b>6,279</b>
Gain on investments	i	574	2,280	2,854
<b>Surplus before tax</b>		<b>17,487</b>	<b>(8,354)</b>	<b>9,133</b>
Taxation		(1,957)	-	(1,957)
<b>Surplus for the year</b>		<b>15,530</b>	<b>(8,354)</b>	<b>7,176</b>
Actuarial gain in respect of pension schemes	j	-	2,242	2,242
Transfer from accumulated income in endowment funds	k	(33)	33	-
<b>Total comprehensive income for the year</b>		<b>15,497</b>	<b>(6,079)</b>	<b>9,418</b>

## 25. Transition to FRS 102 and the 2015 SORP continued

### Notes to the Statement of Comprehensive Income and Expenditure transition statement

On transition to FRS 102:

- a) the release of Funding Council deferred capital grants under SORP 2007 has been reversed (£7,340,000). Grant funding is now recognised as income when the University is entitled to the income and performance related conditions have been met. This has resulted in the recognition of £11,094,000 of capital grants.
- b) an adjustment has been made in accordance with the requirement of the 2015 SORP that where institutions receive funding for a set number of studentships under which they have responsibility for selecting and allocating funding to students, they should ensure that revenue is not double counted. In cases where the institution acts as principal, revenue should be accounted for once, as grant funding, and the billing of tuition fees to the student should not be included in fee income. This adjustment has resulted in tuition fee income in 2015 being reduced by £2,000,000 with a corresponding reduction in Other Operating Expenses.
- c) the release of deferred capital grants from research funders under SORP 2007 has been reversed (£4,196,000). Grant funding is now recognised as income when the University is entitled to the income and performance related conditions have been met. This has resulted in the recognition of £8,359,000 of capital grants.
- d) income from donations and endowments is now shown in a separate line. In 2015 there were £1,067,000 of donations and endowments that were included under other income under SORP 2007. This income is now included in donations and endowments along with £65,000 of new endowments that were not recognised in the Income and Expenditure Account under SORP 2007.
- e) the release of other deferred capital grants under SORP 2007 has been reversed (£1,324,000). Grant funding is now recognised as income when the University is entitled to the income and performance related conditions have been met. This has resulted in the recognition of £312,000 of capital grants.
- f) there have been changes to the basis of calculation of the net charge/credit to the income statement in respect of the University's liability for the SPF defined benefit pension scheme. This has resulted in the reversal of the previous credit (£2,290,000) calculated in accordance with the previous accounting standard, FRS 17, Retirement Benefits. The amended charge (£973,000), calculated in accordance with FRS 102, has been determined by multiplying the net defined benefit asset or liability by the discount rate. This charge is included within interest and other finance costs. These changes to the income statement have been offset by a corresponding actuarial movement, resulting in no change to the overall SPF defined benefit pension liability at 31 July 2015 (see note j).
- g) this charge includes the increase in the USS deficit provision (£13,711,000) following changes to the funding arrangements with employers which took effect from 1 April 2015. In addition it includes the increase in the accrual for the cost associated with any staff annual leave untaken at 31 July (£162,000).
- h) the unwinding of the finance charge for the USS deficit is included within interest and other finance costs (£468,000).

## 25. Transition to FRS 102 and the 2015 SORP continued

- i) the unrealised appreciation on revaluation of investments (£2,280,000) is now reflected within the Statement of Comprehensive Income. In the prior year Financial Statements, prepared in accordance with SORP 2007, this amount was reflected through the Statement of Total Recognised Gains and Losses (STRGL).
- j) following the changes to the basis of calculation of the net charge/credit to the income statement in respect of the University's liability for the SPF defined benefit pension scheme, outlined in note (f) above, the actuarial movements in the year have been amended from a net loss of £1,021,000 to a net gain of £2,242,000. This gain is now reflected within the Statement of Comprehensive Income and Expenditure. In the prior year Financial Statements, prepared in accordance with SORP 2007, the net loss was reflected through the STRGL.
- k) endowment income and expenditure is now reflected in full through the Statement of Comprehensive Income and Expenditure.

Financial Performance	Year ended 31 July 2015 £000
Surplus for the year under 2007 SORP	15,497
Release of deferred capital grants	(12,860)
Recognition of grants	19,765
Provision for USS deficit	(14,179)
Accrual for annual leave	(162)
Endowments	98
Defined benefit pension scheme	(1,021)
Appreciation on revaluation of investments	2,280
<b>Total effect of transition to FRS 102</b>	<b>(6,079)</b>
<b>Total Comprehensive Income for the year under FRS 102 and 2015 SORP</b>	<b>9,418</b>



## 26. 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 2015/16, the University provided USSA with rent-free accommodation and contributed £1,633,000 (2015 £1,455,000) 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.

## 27. HE bursaries and other student support funds

	2016 HE Childcare £000	2016 HE Discretionary £000	2016 Total £000	2015 Total £000
Allocation received in the year	447	838	1,285	1,311
Expenditure	(462)	(822)	(1,284)	(1,308)
Virements	15	(15)	-	-
<b>Balance carried forward</b>	<b>-</b>	<b>1</b>	<b>1</b>	<b>3</b>
<b>Repayable as clawback</b>	<b>-</b>	<b>1</b>	<b>1</b>	<b>3</b>

These grants are available solely for students. The University acts only as paying agent. The grants and related disbursements are therefore excluded from the Statement of Comprehensive Income and Expenditure.





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## **Court Membership 2015/16**

### **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 A McLaren  
Professor E Riis  
Dr D Andriosopoulos  
Dr V O'Halloran

### **Graduates Association**

Dr A Goldsmith

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

Mr G Paterson (until 31/07/16)

Mr G McDonnell

### **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

Mr R J A Hunter (Convener of Court)  
Ms S Kelly  
Ms K Alexander  
Dr J Morgan  
Dr J S Perry (Treasurer)

Mr M Roughead  
Ms M Venman (Deputy Convener, Estates)

### **Professional Services Staff**

Ms L McKean

## **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, Enterprise & Investment Committee 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, Member of Court Membership Group  
and Enterprise & Investment Committee (observer)  
See above  
Member of Staff Committee  
Member of Audit Committee  
Member of Audit Committee  
Court Business Group, Court Membership Group, Enterprise &  
Investment Committee and Remuneration Committee  
Member of Enterprise & Investment Committee  
Member of Estates Committee, Court Business Group,  
Court Membership Group and Remuneration Committee

The following individual was not a member of Court during the financial year to 31 July 2016 but was a member of Court on the day the Financial Statements were approved:

Mr R Jeyaraj

Note: further information on Court members, including attendance rates and a register of interests, is available on the University website at [www.strath.ac.uk/whystrathclyde/universitycourt/](http://www.strath.ac.uk/whystrathclyde/universitycourt/)



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[www.strath.ac.uk](http://www.strath.ac.uk)

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