report & financial statements

2009

University of Strathclyde Glasgow

officers of the university

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Principal's Statement

The financial results for the year to 31 July 2009 show a deficit of £7.4M – this is in line with expectations and is almost entirely due to the costs of staff restructuring (£6.8M). In December 2008, the University took a decision to launch a major early retiral and voluntary severance scheme with the overall aim of reducing staffing expenditure. The scheme has been very successful and the University has exceeded its original targets. By taking early measures in this way we have put ourselves in a much stronger position to deal with the financial challenges ahead and, at the same time, fund the necessary investment in our major campus redevelopment programme.

Over the course of the past several years the University has built up substantial financial reserves. Income has grown considerably, particularly in respect of overseas tuition fees and research grants and contracts, and the University has benefited from the disposal of land and buildings which were surplus to requirements. Two years ago the University adopted a revised Strategic Plan, the "Agenda for Excellence", based on achieving excellence in Learning and Teaching, Research and Knowledge Exchange. The Strategic Plan recognises the need to reshape and revitalise our Estate. Since becoming Principal in March 2009, I have accelerated the pace at which we move to realise that element of the vision. This has resulted in a revision of our estates strategy, taking account of the need to invest for future growth, to reduce the overall footprint of the campus, and to produce a campus that is financially sustainable over the long term.

Our new vision for the Estate focuses on four campus zones. The first zone will incorporate a cluster of humanities, social sciences, education and law to the north of the Campus on Cathedral Street. This will include new facilities for students, a new Centre for Sports and Health, investment in the Lord Hope Building and transformation of the Curran Building, which is home to the Library. Realisation of this part of the strategy will allow us to achieve a long term objective of vacating the Jordanhill Campus which is the current location of the Faculty of Education. In addition to significantly reducing our operating costs, relocating the Faculty of Education to the city centre will allow us to dispose of surplus land at Jordanhill, with the proceeds being reinvested in the Estate.

The second zone will see much of our engineering and physical sciences activities grouped together to the west of the campus, with activity centered on a new development in the Thomas Graham and James Weir Buildings.

The third zone, to the east, will focus on science, with the new Strathclyde Institute of Pharmacy and Biomedical Sciences. This £36M building will be home to one of the UK's top Pharmacy Schools and includes: state of the art facilities for 150 researchers, teaching laboratories for undergraduates and Masters students, a "clean suite" for the handling and packaging of drugs – Strathclyde is one of only three UK universities to teach to this standard – and facilities for commercialisation and industrial interaction.

The new building will accommodate leading researchers from the chemical, biological and pharmaceutical sciences working together to find cures and treatments for some of the world's biggest health threats including cancer, heart and infectious diseases.

The fourth zone at the heart of the campus on Montrose Street will feature a new 'front door' building with a main reception area, teaching and learning facilities and new accommodation for the Students' Association.

The scale of the investment in new facilities is considerable, at over £300M over the next ten years, and demonstrates the confidence that the University has in its future.

Professor J McDonald
Principal and Vice-Chancellor
1 December 2009

Financial summary

	2008/09 £M	2007/08 £M
Summary		
Income	230.7	219.3
Expenditure before exceptional items	(229.4)	(209.6)
Surplus before exceptional items	1.3	9.7
Exceptional restructuring costs	(6.8)	-
Impairment of tangible fixed assets	(1.9)	-
(Deficit)/surplus for the year	(7.4)	9.7
Cash and borrowings		
Cash and short term investments	104.0	97.6
Borrowings	(13.6)	(14.3)
	90.4	83.3
Capital expenditure	28.9	15.8

Overview

The Financial Statements for the year ended 31 July 2009, which have been approved by the Court, represent the consolidated results of the University and its subsidiaries (the Group).

During the year, the University generated a surplus of £1.3M from its underlying operations but incurred £8.7M of exceptional costs arising from strategic decisions to improve the University's future financial sustainability. The results for the year, therefore, show an overall deficit of £7.4M.

It was recognised that 2008/09 would be a challenging year for financial performance due to the combined impact of pay increases arising from the final stage of a three year nationally negotiated pay award, unprecedentedly high increases in utility costs and the costs of major estates refurbishments. The University had planned for a deficit outturn in 2008/09 and had instigated plans to address financial sustainability in future years.

In addition to the factors forecast to impact financial performance in 2008/09, a number of factors outside the University's control have had a negative impact on income and expenditure in the year. The University has significant cash deposits and low borrowings and hence was adversely affected by the sharp decline in bank interest rates during the financial period. The final stage of the three year nationally negotiated pay settlement was linked to the Retail Prices Index which peaked at 5.0% at the trigger date of September 2008.

Despite these adverse external factors a focus on income growth and strong control over staffing vacancies has ensured that the outturn for the year, excluding exceptional costs, is in line with expectations. Cash balances have risen further during the year and the University is well placed in terms of financial strength to deal with the challenges ahead.

The results for the year include two exceptional items. Firstly, in April 2009, the University launched its early retiral and voluntary severance (ERVS) scheme to reduce recurrent employment costs. By 31 July, the University had offered early retiral or voluntary severance terms to 136 staff, all of whom will leave University service by September 2010, at a cost of £6.8M. Secondly, the University is currently revising its Estates Strategy. As a result of current and projected economic circumstances, the University no longer intends to proceed with the development of one of its new build projects. Costs incurred to date of £1.9M are reflected as an impairment adjustment.

Income

Income in 2008/09 was 5.2% higher than in the previous year. Scottish Funding Council (SFC) grants rose by 1.6% to £98.3M and represent 42.7% of total income. The recurrent teaching grant has increased by £0.7M (1.2%). As a result of revised funding arrangements there has also been a transfer of resources of around £1.2M from SFC grants to home/EU tuition fees. In addition to a rise of £1.0M (4.7%) in the recurrent research grant, non-recurrent research income rose by £0.7M due to greater activity in research pooling partnerships. SFC also provided an additional non-recurring allocation of £0.9M.

Tuition fees increased by £4.8M to £64.8M, an increase of 8.0%. Home/EU fees have increased by £2.2M (8.1%) of which some £1.2M (4.5%) is attributable to transfer of resources in respect of revised funding arrangements. The growth in non EU fees of £2.3M (11.2%) reflects continued expansion of student numbers, particularly in Business and Engineering programmes.

***Income** continued*

Research Grant and Contract income has risen from £35.7M to £40.4M (13.2%). This reflects both the growth in new research awards and higher levels of overhead recoveries due to the cumulative impact of full economic costing of research.

Other income has risen by £3.0M (14.8%) largely due to growth in consultancy activity.

In 2007/08, interest receivable contributed greatly to the surplus for the year. However, six consecutive reductions in interest rates during 2008/09 have resulted in a fall in interest receivable from £5.9M to £3.3M.

Expenditure

Staff costs grew by 7.7% in the year largely due to the impact of agreed pay awards and incremental salary increases. Salary costs were affected by both the 5% salary increase in October 2008 and the full year impact of a 3% rise in May 2008. Expenditure on premises increased by £4.5M to £28.2M largely due to a 43% increase in utility costs and additional maintenance expenditure associated with refurbishment elements of the Estates Strategy.

Net funds and cash flow

Cash and short term investments rose by £6.5M to £104.0M. During the year the University generated £10.8M from its operating activities and received a further £18.7M of capital grants. Significant progress on developments within the Estates Strategy resulted in capital expenditure during the period of £26.7M. Further details on cash flow movements are given in Notes 23 to 29 of the Financial Statements.

Investment performance

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

Despite a modest recovery in investment performance in the final quarter, ongoing volatility in global financial markets has led to a reduction in the valuations of fixed asset investments and endowment assets of £2.0M during the year.

During the year, the University received £1.1M of new endowments. These included the establishment by Sir Gordon Wu, Chairman of Hopewell Holdings, of a new £0.5M scholarship endowment, The Hopewell Scholarship Fund, to enable more Chinese students to study at Strathclyde.

Treasury management

The University actively manages its cash balances according to the Treasury Management Code of Practice approved by Court. Funds are placed with approved counter-parties up to the maximum limit specified for each category of organisation. Credit ratings of approved counter-parties and deposit limits are reviewed regularly.

Funds are deposited in a variety of Treasury accounts, ranging from overnight to six month deposits. The University has a facility to deposit surplus cash, up to the value of the long term unsecured bank loan, on a back-to-back basis.

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

Risks and uncertainties

The most significant risk faced by the University is that of a reduction in income from Government arising from an overall reduction in public sector funding. After a period of successive real terms increases in funding for Higher Education, most commentators take the view that there will be a significant contraction in funding between 2010 and 2013.

Risks and uncertainties continued

Although the University receives a significant proportion of its income from non government funding this source of income is also under pressure. The decision to introduce a Points Based System (PBS) for immigration to the UK has imposed an additional hurdle for those from overseas wishing to study in the UK. It is too early to make a definitive assessment regarding the impact of PBS on international student recruitment, however, any adverse impact should be partly offset by the decline in the value of sterling which makes the UK a less expensive place to study for overseas students.

Current and future developments

The new building for the pioneering, world-class Strathclyde Institute of Pharmacy and Biomedical Sciences (SIPBS) represents the most significant single expenditure on fixed assets during 2008/09. This new building will accommodate leading researchers from chemical, biological and pharmaceutical sciences working together to find new cures and treatments for some of the world's biggest health threats. In total this new development will cost £36M, of that sum, £10.8M was expended in 2008/09.

Another world-class research facility under construction is the Advanced Forming Research Centre (AFRC). This facility will offer a high quality purpose built centre to support fundamental and applied research into forming and forging of superior quality integrity products. Construction began in May 2009 with £2.3M expenditure in the financial year and a completion date of 2010.

The Centre for Sports and Health will consolidate recreation, teaching and research facilities on one single site in attractive physical surroundings in the very heart of the campus. This project is at the pre-construction stage and £496K has been spent in the financial year.

Other major projects include £2.5M in the Royal College to improve services and infrastructure; £1.9M in the James Weir building to create a new research centre for Design, Manufacturing & Engineering Management and an office refurbishment for Chemical Engineering; £0.6M in the Thomas Graham building to complete the upgrade of the research facilities for Pure and Applied Chemistry.

Other policies

Staff and students with disabilities

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

The University has an ongoing programme of expenditure to ensure it meets the requirements of the Disability Discrimination Act.

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 £7.3M. Given that the University paid a total of £102.5M to trade creditors during the year, the amount outstanding at the year end represents 26 days (2007/08 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 results for the year are very much in line with budget projections and policy decisions. A further significant charge will be made in the next financial year for the balance of ERVS costs and the Principal's Statement makes clear that the scheme is intended to provide the financial headroom within which the University can upgrade its Estate. Our strategy continues to be the attraction and retention of high quality staff and students to an improving campus and I have confidence that financial plans are in place to achieve these objectives.

T J Monaghan, Treasurer
1 December 2009

Introduction

The University is committed to exhibiting best practice in all aspects of corporate governance. This summary describes the manner in which the University has complied with and applied the principles set out in Section 1 of the revised Combined Code on Corporate Governance issued by the Financial Reporting Council (FRC) in June 2008. The purpose of this summary is to help the reader of the Financial Statements understand how the principles of the Combined Code have been applied.

With the above in view, it should be noted that the University's Governance and operational management arrangements – including committees, decision-making processes, and organisational structure – have been undergoing a process of significant revision during the course of accounting year 2008/09 (i.e. to 31 July 2009). The University's arrangements will continue to be in a state of transition during much of 2009/10, and the University Court will maintain ongoing oversight and monitoring over the full period of the transition both directly and through its various committees and working groups. As a result, the remainder of this Corporate Governance Statement is divided into two sections. The first section outlines the general role and responsibilities of Court and the system of internal control that was in place during the accounting year. The second section identifies a number of developments that have been introduced during the early stages of the transition phase, and indicates other developments that are planned for the early part of 2009/10.

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, as such, is responsible for overseeing the management and administration of the whole of the revenue and property of the University as well as academic-related matters, which are primarily devolved to Senate and its attendant committees and structures. Court exercises general control over the University and all its affairs, purposes and functions, taking all final decisions on matters of fundamental concern to the University. As part of its primary responsibilities, Court is responsible for the University's system of internal control and for reviewing its effectiveness. Such a system is designed to manage rather than eliminate the risk of failure to achieve business objectives and can only provide reasonable and not absolute assurance against material misstatement or loss.

The Court has a majority of lay members and includes members of academic staff, non-teaching staff and a student member. The University Court has adopted a Code of Conduct for its members which is set out in the Handbook for Members of Court and maintains a register of interests of members of the Court.

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

In 2008/09 Court met six times. Much of its detailed work is initially handled by several committees, including a Staff Committee, a Remuneration Committee, a Court Membership Group, an Audit Committee, an Estates Strategy Committee and a Business Ventures Group. All of these committees are formally constituted, with terms of reference approved by Court, are chaired by lay members and report formally to Court on a regular basis.

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

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

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

These lay members are eligible for reappointment by the relevant bodies when their period of office expires.

The Audit Committee has a key role to play in assisting Court review the arrangements for internal control and risk management. It meets normally 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 nor do they have voting rights. Committee members meet on their own and with the External Auditors for independent discussions. The Committee considers detailed reports together with recommendations for the improvement of the University's systems of internal control and management's responses and implementation plans. It also receives and considers the Corporate Risk Register, reports from the Funding Council and other bodies as they affect the University's business and monitors adherence to regulatory requirements.

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

Prior to its disbandment in August 2009, the Business Ventures Group oversaw and provided support for projects emanating from the University’s own research activities which were considered to merit commercial development.

Similarly, the University Management Committee (UMC), until its disbandment in July 2009, provided recommendations and advice to Court in respect of Court’s strategic and development responsibilities. UMC also reported to Senate, which is the body responsible for the University's academic affairs. The UMC was a formally constituted committee with the Principal in the chair and included the primary budget holders of the University. The Convener of Court and the Treasurer attended its meetings. The UMC also recommended to the Court the University's annual revenue and capital budgets and monitored performance in relation to the approved budgets. UMC received routine reports from a range of committees and all operational areas, including the Statutory Advisory Committee on Safety and Occupational Health.

New and transitional arrangements during accounting year 2008/09, and further changes in 2009/10

The Governance and decision making structures within the University have been reviewed during the year in order to streamline decision-making processes and increase efficiency and effectiveness. This has led to the introduction of a number of significant changes in the latter part of 2008/09, with more due to be formally introduced during 2009/10. These changes apply directly to decision making and organisational structures, together with attendant processes and operational arrangements. Two of the early changes were the disbandment of the UMC and the establishment of the Executive Team from 1 August 2009. 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. Other responsibilities formerly covered by the UMC are being undertaken by the Executive Team where appropriate to its remit, or being devolved to other Committees and University officers according to their areas of responsibility. Likewise the Business Ventures Group was disbanded with effect from 1 August 2009, and its activities are being subsumed within the arrangements associated with the Research and Knowledge Exchange Committee (previously known as the Research and Knowledge Transfer Strategy Committee). Further organisational changes will be implemented during 2009/10, together with a range of procedural and reporting arrangements.

The implementation of the revised structures will be monitored by the Audit Committee and other relevant bodies on behalf of Court and Senior University Management. A provisional review of the new structures and arrangements will be conducted in December 2009, the outcome being reported to the Executive Team, Audit Committee, Senate and Court.

The Court has previously considered its operating practices and reviewed its own effectiveness in session 2007/08. Its practices have been compared to those advocated by the Committee of University Chairmen Guide for Members of Higher Education Governing Bodies in the UK (published in November 2004 and updated in March 2009). The Court is satisfied that the University has a high level of compliance with this Guide and has adapted its practices to meet them as far as its Statutes so permit except that the University Court's current membership is 28 rather than 25. This position was also reviewed during the latter part of 2008/09, and it was agreed *in principle* that a reduction in size should be considered in 2009/10, as the new Governance and decision-making structures are effected.

There is a process for identifying, evaluating and managing the University's significant risks which complies with the updated Turnbull Committee guidance on internal control issued in October 2005 and supporting guidance issued by the British Universities Finance Directors Group in 2006. In previous years, the Audit Committee has received an annual risk report for consideration prior to its presentation to Court. In 2008/09, a revised approach was introduced. Relevant identification of risk, which forms part of the strategic planning process, is now part of the strategic statements for operational and academic areas. Following this process, a consolidated report on corporate risks identified during the strategic planning process was presented to University Senior Management and, subsequently, the Audit Committee. The Corporate Risk Register was then presented to Court at its November 2009 meeting, in order for Court to carry out its annual assessment for the year ended 31 July 2009, which also takes into account documentation from UMC and events that have occurred since 31 July 2008. 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. The University's Audit Committee has been fully engaged in monitoring the effectiveness of the new system as well as the development of suitable training and will continue to do so in the year ahead.

Court keeps issues of control and risk under review and receives reports thereon from both the Executive Team and the Audit Committee.

Based on the above noted process, Court is of the view that there was an adequate process in place for identifying, evaluating and managing the University's significant risks during the year ended 31 July 2009 and up to the date of the annual report and accounts.

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

In conclusion, it is worth commenting that the changes that are being effected are 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, all of which is to be welcomed.

T J Monaghan
Treasurer
1 December 2009

statement of responsibilities of

the university court

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

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

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

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

The Court has taken reasonable steps to:

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

the university court continued

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

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

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

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

We have audited the Group and University financial statements for the year ended 31 July 2009 which comprise the Consolidated Income and Expenditure Account, Statement of Consolidated Total Recognised Gains and Losses, Consolidated and University Balance Sheets, Consolidated Cash Flow Statement, and the related notes 1 to 34. These financial statements have been prepared under the accounting policies set out therein.

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

Respective responsibilities of the University Court and Auditors

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

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

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

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

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

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

Basis of audit opinion

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

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

Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of affairs of the Group and of the University as at 31 July 2009, and of the deficit of the Group's income over expenditure and the Group's cash flows for the year then ended and have been properly prepared in accordance with the Statement of Recommended Practice: Accounting for Further and Higher Education;

- funds from the Scottish Funding Council, grants and income for specific purposes and from other restricted funds administered by the University have, in all material respects, been applied only for the purposes for which they were received; and

- income has, in all material respects, been applied in accordance with the Further and Higher Education (Scotland) Act 1992 and, where appropriate, with the Financial Memorandum dated 1 January 2006 with the Scottish Funding Council.

Ernst & Young LLP
Registered Auditor
Glasgow
1 December 2009

consolidated

income and expenditure account

for the year ended 31 July 2009

	Note	2009 £000	2008 £000
Income			
Funding Council grants	2	98,319	96,715
Tuition fees and education contracts	3	64,831	60,037
Research grants and contracts	4	40,407	35,686
Other income	5	22,779	19,837
Endowment and investment income	6	4,318	7,000
Total income		230,654	219,275
Expenditure			
Staff costs	7	139,088	129,098
Exceptional restructuring costs	9	6,784	-
Other operating expenses	9	76,448	67,858
Depreciation and impairment	9	15,326	11,725
Interest and other finance costs	8	380	876
Total expenditure	9	238,026	209,557
Operating surplus before exceptional items		1,303	9,718
Exceptional items	10	(8,675)	-
(Deficit)/surplus after depreciation of assets at cost		(7,372)	9,718
(Deficit)/surplus for the year transferred (to)/from accumulated income in endowment funds		(35)	25
(Deficit)/surplus for the year retained within general reserves	21	(7,407)	9,743

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

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

balance sheet as at 31 July 2009

	Note	Consolidated 2009 £000	Consolidated 2008 £000	University 2009 £000	University 2008 £000
Fixed assets					
Tangible assets	11	169,343	156,399	169,343	156,399
Investments	12	6,141	6,774	6,141	6,774
		175,484	163,173	175,484	163,173
Endowment assets	13	18,922	19,503	18,922	19,503
Current assets					
Surplus assets for disposal		412	25	412	25
Stock		255	345	255	345
Debtors	14	14,716	11,154	14,720	11,158
Investments	15	90,000	75,000	90,000	75,000
Cash at bank and in hand		14,049	22,560	14,043	22,554
		119,432	109,084	119,430	109,082
Creditors: amounts falling due within one year	16	(56,464)	(43,118)	(56,462)	(43,116)
Net current assets		62,968	65,966	62,968	65,966
Total assets less current liabilities		257,374	248,642	257,374	248,642
Creditors: amounts falling due after more than one year	17	(12,587)	(13,357)	(12,587)	(13,357)
Provisions for liabilities	18	(13,110)	(9,309)	(13,110)	(9,309)
Net assets		231,677	225,976	231,677	225,976

balance sheet as at 31 July 2009 continued

		Consolidated		University	
	Note	**2009** £000	**2008** £000	**2009** £000	**2008** £000
Deferred capital grants	19	88,650	74,649	88,650	74,649
Endowments					
Expendable	20	1,030	538	1,030	538
Permanent	20	17,892	18,965	17,892	18,965
		18,922	19,503	18,922	19,503
Reserves					
Income and Expenditure Account	21	123,847	131,212	123,847	131,212
Revaluation reserve	21	258	612	258	612
		124,105	131,824	124,105	131,824
Total Funds		231,677	225,976	231,677	225,976

The Financial Statements were approved by the University Court on 1 December 2009, and signed on its behalf by:

Professor J McDonald
Principal and Vice-Chancellor

T J Monaghan
Treasurer

D Coyle
Chief Financial Officer

statement of consolidated total recognised gains and losses

for the year ended 31 July 2009

	Note	2009 £000	2008 £000
(Deficit)/surplus on continuing operations		(7,372)	9,718
Depreciation on revaluation of fixed asset investments	12, 21	(312)	(642)
Depreciation of endowment assets	20	(1,747)	(2,033)
New endowments	20	1,131	364
Total recognised (losses)/gains relating to the year		(8,300)	7,407

Reconciliation

		2009 £000	2008 £000
Opening reserves and endowments		151,327	143,920
Total recognised (losses)/gains for the year		(8,300)	7,407
Closing reserves and endowments		143,027	151,327

consolidated

cash flow statement

for the year ended 31 July 2009

	Note	2009 £000	2008 £000
Net cash inflow from operating activities	23	10,841	11,627
Returns on investments and servicing of finance	24	4,422	5,490
Capital expenditure and financial investment	25	(7,945)	(739)
Management of liquid resources	26	(15,000)	(75,000)
Financing	27	(700)	(877)
Decrease in cash in the year		(8,382)	(59,499)

Reconciliation of net cash flow to movement in net funds

	Note	2009 £000	2008 £000
Decrease in cash in the year		(8,382)	(59,499)
Change in short term deposits	26	15,000	75,000
Change in debt	27	700	877
Change in net funds		7,318	16,378
Net funds at 1 August		87,326	70,948
Net funds at 31 July	28	94,644	87,326

1. Principal Accounting Policies

Basis of preparation

The Financial Statements have been prepared in accordance with the Statement of Recommended Practice (SORP): Accounting for Further and Higher Education 2007 and in accordance with applicable Accounting Standards.

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

Basis of consolidation

The consolidated Financial Statements consolidate the Financial Statements of the University and its subsidiary undertakings for the financial year to 31 July. The consolidated financial statements do not include those of the Students' Association because the University does not control those activities.

Income recognition

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

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

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

Donations with restrictions are recognised when relevant conditions have been met; in many cases recognition is directly related to expenditure incurred on specific purposes. Donations which are to be retained for the benefit of the institution are recognised in the Statement of Total Recognised Gains and Losses and in endowments; other donations are recognised by inclusion as other income in the Income and Expenditure Account.

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

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

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

1. **Principal Accounting Policies** continued

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

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

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

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

Accounting for charitable donations

Unrestricted donations

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

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

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

- Restricted expendable endowments – the donor has specified a particular objective other than the purchase or construction of tangible fixed assets, and the institution can convert the donated sum into income

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

Donation for fixed assets

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

1. **Principal Accounting Policies** continued

Accounting for retirement benefits

The University contributes to the Universities Superannuation Scheme (USS), the Strathclyde Pension Fund (SPF) and the Scottish Teachers Superannuation Scheme (STSS). All schemes are multi-employer defined benefit schemes and it is not possible to identify the assets of the scheme, which are attributable to the University, on a consistent and reasonable basis. In accordance with FRS17 these schemes are accounted for on a defined contribution basis and contributions to these schemes are included as expenditure in the period in which they are payable.

Foreign currencies

Assets and liabilities denominated in foreign currencies are translated at the rates of exchange ruling at the end of the financial year, with all the resulting exchange differences being taken to the Income and Expenditure Account in the year in which they arise.

Land and buildings

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

Land which is held freehold is not depreciated as it is considered to have an indefinite useful life. Freehold buildings are depreciated over their expected useful lives of up to 50 years. Leasehold land and buildings are amortised on the life of the lease up to a maximum of 50 years. Alterations and additions to buildings are depreciated over the expected useful life of the work carried out.

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

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

Buildings which are acquired with the aid of specific grants are recognised and depreciated as above. The related grants are treated as deferred capital grants and released to the Income and Expenditure Account over the expected useful lives of the buildings.

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

1. **Principal Accounting Policies** continued

Equipment

Equipment, including personal computers and software, costing less than £10,000 per individual item or group of related items, is written off in the year of acquisition. All other equipment is capitalised. Capitalised equipment is stated at cost and depreciated over its expected useful economic life, as follows:

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

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

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

Heritage assets

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

Surplus assets for disposal

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

Repairs and maintenance

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

Investments

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

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

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

Stock

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

1. **Principal Accounting Policies** continued

Provisions, contingent liabilities and contingent assets

Provisions are recognised when the University has a present, legal, or constructive obligation as a result of a past event, it is probable that a transfer of economic benefit will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. The amount recognised as a provision is discounted to present value where the time value of money is material. The discount rate used reflects current market assessments of the time value of money and reflects any risks specific to the liability.

Contingent liabilities are disclosed by way of a note, when the definition of a provision is not met and includes three scenarios: possible rather than a present obligation; a possible rather than a probable outflow of economic benefits; an inability to measure the economic outflow.

Contingent assets are disclosed by way of a note, where there is a possible, rather than present asset arising from a past event.

Cash flows and liquid resources

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

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

2. **Funding Council grants**

	2009 £000	**2008** £000
SFC Higher Education recurrent teaching grant	60,618	59,887
Funding for increased STSS contributions	63	126
SFC recurrent research grant	21,782	20,803
SFC non-recurrent research grant	5,243	4,454
SEED Funding for Initial Teacher Education	2,887	2,890
Learning and Teaching Infrastructure Fund grants	470	1,678
Released from deferred capital grants	4,237	3,478
Other SFC grants	3,019	3,399
	98,319	96,715

3. **Tuition fees and education contracts**

	2009 £000	**2008** £000
UK and EU fees	28,783	26,627
Non EU fees	22,813	20,507
Non credit bearing course fees	7,944	8,487
Education contracts	3,693	3,156
Other contracts	1,598	1,260
	64,831	60,037

4. Research grants and contracts

	2009 £000	2008 £000
Research Councils	20,011	16,251
UK based charities	3,812	3,071
European Commission	3,379	2,634
Other grants and contracts	11,800	12,767
Released from deferred capital grants	1,405	963
	40,407	35,686

5. Other income

	2009 £000	2008 £000
Residences and catering	9,249	9,046
Other services rendered	5,891	3,766
Released from deferred capital grants	769	748
Royalty income	512	728
Accommodation charges and rental income	261	278
Other departmental income	3,543	3,162
Donations and subventions	651	758
Other income	1,903	1,351
	22,779	19,837

6. Endowment and investment income

	2009 £000	2008 £000
Income from expendable endowments	12	34
Income from permanent endowments	758	823
Interest receivable	3,330	5,879
Investment income	218	264
	4,318	7,000

7. Staff costs

	2009 £000	2008 £000
Wages and salaries	115,215	107,173
Social security costs	9,337	8,675
Other pension costs (Note 30)	14,536	13,250
	139,088	129,098

Average staff numbers by major category:	2009 Number	2008 Number
Academic and academic-related	2,102	2,077
Technical	262	260
Clerical	577	586
Operational	696	702
	3,637	3,625

	2009 £000	2008 £000
Remuneration, excluding employer's pension contributions, of the Principal and Vice-Chancellor was:		
Professor A Hamnett (retired 28 February 2009)	128	199
Professor J McDonald (appointed 1 March 2009)	104	-
	232	199

Included within the figures are amounts in respect of benefits-in-kind. The University's contributions to USS are paid at the same rates as for other staff and amounted to £32,000 (2008 £27,000).

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

	2009			2008		
	Senior	Other	Total	Senior	Other	Total
£70,001 - £80,000	-	65	65	1	55	56
£80,001 - £90,000	1	41	42	-	29	29
£90,001 - £100,000	-	20	20	2	9	11
£100,001 - £110,000	1	7	8	2	5	7
£110,001 - £120,000	2	3	5	-	2	2
£120,001 - £130,000	1	1	2	1	-	1
£130,001 - £140,000	1	-	1	1	1	2
£140,001 - £150,000	-	1	1	-	-	-
£190,001 - £200,000	1	-	1	1	-	1

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

7. Staff costs continued

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

	2009 £000	**2008** £000
Compensation paid	91	60
Pension benefits	2,883	198
	2,974	258

8. Interest and other finance costs

Loans not wholly repayable within five years	380	876

9. Analysis of expenditure by activity

	Staff Costs £000	**Other Operating expenses** £000	**Interest and other finance costs** £000	**2009 Total** £000	**2008 Total** £000
Academic departments	80,607	15,757	-	96,364	88,507
Academic services	10,879	4,902	-	15,781	14,608
Research grants and contracts	14,594	14,066	-	28,660	26,636
Administration and Central Services	15,404	6,695	-	22,099	20,726
Residences and catering	3,705	4,488	-	8,193	6,859
Premises	8,417	19,766	-	28,183	23,709
Other expenses	5,482	10,774	380	16,636	16,787
	139,088	76,448	380	215,916	197,832
Exceptional restructuring costs				6,784	-
Exceptional impairment costs				1,891	-
Depreciation				13,435	11,725
Total per income and expenditure account				238,026	209,557

Exceptional restructuring costs of £6,784,000 (2008 £Nil) were incurred as a result of the Early Retiral and Voluntary Severance scheme introduced to reduce recurrent employment costs.

The depreciation charge has been funded by:		
Deferred capital grants released	6,611	5,189
General income	6,824	6,536
	13,435	11,725
Other operating expenses include:		
External auditors remuneration - audit services	64	63
External auditors remuneration - non-audit services	51	27

10. Exceptional items

	2009 £000	2008 £000
Restructuring costs	6,784	-
Impairment of tangible fixed assets	1,891	-
	8,675	-

11. Tangible fixed assets

Group and University	Land and Buildings Freehold £000	Long Leasehold £000	Assets under Construction £000	Equipment £000	Total £000
Cost					
At 1 August 2008	216,235	7,910	4,440	20,090	248,675
Additions	8,336	376	14,758	5,387	28,857
Disposals	-	-	-	(2,925)	(2,925)
Transfer to surplus assets for disposal	(387)	-	-	-	(387)
At 31 July 2009	224,184	8,286	19,198	22,552	274,220
Depreciation					
At 1 August 2008	76,573	6,051	-	9,652	92,276
Charge for period	8,439	885	-	4,111	13,435
Impairment	128	-	1,963	-	2,091
Disposals	-	-	-	(2,925)	(2,925)
At 31 July 2009	85,140	6,936	1,963	10,838	104,877
Net book value at 31 July 2009	139,044	1,350	17,235	11,714	169,343
Net book value at 31 July 2008	139,662	1,859	4,440	10,438	156,399

Buildings with a net book value of £97,895,000 and cost of £167,799,000 have been funded in part or in whole from Treasury sources. Should these particular buildings be sold, the University would have to surrender the relevant proceeds to the Treasury or use them in accordance with the Financial Memorandum with the Scottish Funding Council.

Heritage assets are not recognised in the Financial Statements. The University's heritage assets comprise over 1,000 works of art, around 400 historical scientific instruments, some 35 special collections of rare printed and manuscript materials, historical archives (including the University's own archives and some 25 other archive collections), and silverware and other ceremonial items. The age of the items range from the 15th century to the present day. The artwork collection is mainly displayed in University buildings across the campuses, while the historical scientific instrument collection is available for viewing by appointment. The book/manuscript collections and archives are used for consultation purposes. The ceremonial assets are used for occasions such as graduations. No material acquisitions occurred in the period, and there were no disposals.

12. Fixed asset investments

	Consolidated and University	
	2009	**2008**
	£000	£000
At 1 August	6,774	7,379
Additions	952	1,149
Disposals	(1,132)	(1,034)
Decrease in market value of investments	(312)	(642)
Decrease in cash balances	(141)	(78)
At 31 July	6,141	6,774
Represented by:		
Fixed interest investments (listed)	1,125	868
Equities (listed)	4,102	4,896
Cash at bank	256	397
Business Ventures Group investments	413	368
Synergy investments	193	193
Other	52	52
	6,141	6,774

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

The University's principal subsidiary undertakings are:

	% Holding	Main Activity	Year End
University of Strathclyde Properties Limited	100	Property Company	31/7/09
Haleno Limited	100	Property Company	31/7/09
SGBS Limited	100	Property Company	31/7/09

13. Endowment assets

	Consolidated and University	
	2009	**2008**
	£000	£000
At 1 August	19,503	21,197
Additions	4,098	3,797
Disposals	(3,202)	(3,200)
Decrease in market value of investments	(1,747)	(2,033)
Increase/(decrease) in cash balances held for endowment funds	270	(258)
At 31 July	18,922	19,503
Represented by:		
Fixed interest investments (listed)	3,721	3,140
Equities (listed)	11,089	12,487
Bank deposits	166	200
Cash at bank held for endowment funds	3,946	3,676
Total endowment assets	18,922	19,503
Fixed interest investments and equities at cost	14,223	14,078

14. Debtors

	Consolidated		University	
	2009	**2008**	**2009**	**2008**
	£000	£000	£000	£000
Debtors	12,549	9,072	12,549	9,072
Prepayments and accrued income	2,167	2,082	2,171	2,086
	14,716	11,154	14,720	11,158

15. Current asset investments

	Consolidated		University	
	2009 £000	**2008** £000	**2009** £000	**2008** £000
Deposits maturing:				
in one year or less	90,000	75,000	90,000	75,000

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

At 31 July 2009 the weighted average interest rate of these fixed deposits was 0.86% per annum and the remaining weighted average period for which the interest rate is fixed on these deposits was 51 days. The fair value of these deposits was not materially different from the book value.

16. Creditors: amounts falling due within one year

	Consolidated		University	
	2009 £000	**2008** £000	**2009** £000	**2008** £000
Unsecured loans	1,020	950	1,020	950
Creditors	16,668	13,519	16,666	13,517
Social security and other taxation payable	3,074	3,032	3,074	3,032
Accruals	10,034	6,569	10,034	6,569
Deferred income	25,668	19,048	25,668	19,048
	56,464	43,118	56,462	43,116

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

	Consolidated and University	
	2009	**2008**
	£000	£000
Analysis of unsecured loans:		
Due within one year or on demand	1,020	950
Due between one and two years	1,100	1,020
Due between two and five years	3,840	3,560
Due in five years or more	7,647	8,777
	13,607	14,307
Due within one year or on demand	(1,020)	(950)
Due after more than one year	12,587	13,357

The unsecured bank loan of £12,580,000 (2008 £13,530,000) is repayable by instalments between 1 August 2009 and 31 July 2018 and interest is charged at 0.5% above the Base Rate. The University has recurrent loans totalling £727,000 (2008 £777,000) from the Synergy Fund, which are repayable in five years or more. The dates and quantum of repayments are dependent upon the timing and amounts of returns from intellectual property rights generated by the projects funded by these loans. The University also has interest free loans totalling £300,000 (2008 £Nil) from Salix Finance Ltd which are partially repayable in five years or more. The dates and quantum of repayments are wholly dependent upon the timing of expenditure and savings related to various energy efficiency and renewable energy projects funded by these loans, which require matched funding by the University.

18. Provisions for liabilities and charges

	Consolidated and University			
			2009	**2008**
	Pensions	**Other**	**Total**	**Total**
	£000	£000	£000	£000
At 1 August	9,253	56	9,309	9,420
Expenditure in the year	(2,033)	-	(2,033)	(1,317)
Transfer from/(to) Income and Expenditure Account	5,465	(56)	5,409	881
Revaluation adjustment	425	-	425	325
At 31 July	13,110	-	13,110	9,309

Pensions

The University has an obligation in respect of former employees who have retired and for whom an enhanced pension has been provided. Some £8,202,000 (2008 £8,357,000) of this liability continues throughout the retirement period and is assessed by independent actuarial valuation. The principal assumptions are a discount rate of 6.2% (2008 6.4%) and pension increases of 3.2% (2008 3.6%). Some £4,066,000 (2008 £Nil) relates to obligations which have arisen from the Early Retiral and Voluntary Severance scheme. The balance of £842,000 (2008 £896,000) relates to the estimated cost of enhanced benefits which will be settled via future payments to the Universities Superannuation Scheme and the Scottish Teachers' Superannuation Scheme.

18. Provisions for liabilities and charges continued

Other

Over a number of years the University has made provision to meet the necessary costs of decommissioning at the Scottish Universities Research Reactor Centre. It is expected that all expenditure has now been incurred.

19. Deferred capital grants

Consolidated and University	**Funding Council** £000	**Other grants and benefactions** £000	**Total** £000
At 1 August 2008			
Buildings	49,437	18,369	67,806
Equipment	6,351	492	6,843
Total	55,788	18,861	74,649
Cash Receivable			
Buildings	13,527	4,437	17,964
Equipment	604	2,044	2,648
Total	14,131	6,481	20,612
Released to income and expenditure			
Buildings	3,052	740	3,792
Equipment	1,185	1,434	2,619
Impairment	200	-	200
Total	4,437	2,174	6,611
At 31 July 2009			
Buildings	59,712	22,066	81,778
Equipment	5,770	1,102	6,872
Total	65,482	23,168	88,650

20. Endowments

Consolidated and University	Unrestricted Permanent £000	Restricted Permanent £000	Total Permanent £000	Restricted Expendable £000	2009 Total £000	2008 Total £000
At 1 August 2008						
Capital	3,243	13,629	16,872	-	16,872	18,217
Accumulated income	-	2,093	2,093	538	2,631	2,980
	3,243	15,722	18,965	538	19,503	21,197
New Endowments	7	544	551	580	1,131	364
Investment Income	131	627	758	12	770	857
Expenditure	(131)	(520)	(651)	(84)	(735)	(882)
	-	107	107	(72)	35	(25)
Decrease in market value of investments	(396)	(1,335)	(1,731)	(16)	(1,747)	(2,033)
At 31 July 2009	2,854	15,038	17,892	1,030	18,922	19,503
Represented by:						
Capital	2,854	12,838	15,692	-	15,692	16,872
Accumulated income	-	2,200	2,200	1,030	3,230	2,631
	2,854	15,038	17,892	1,030	18,922	19,503

21. Reserves

Consolidated and University	Income and Expenditure Account £000	Revaluation Reserve £000	Total £000
At 1 August 2008	131,212	612	131,824
Deficit retained for the year	(7,407)	-	(7,407)
Revaluation of fixed asset investments	-	(312)	(312)
Realised revaluation surplus on sale of investments	42	(42)	-
At 31 July 2009	123,847	258	124,105

22. Capital commitments

	Consolidated and University	
	2009 £000	**2008** £000
Commitments contracted at 31 July	28,281	1,632

Of the above commitments, £24,887,000 (2008 £890,000) will be funded from external sources.

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

	2009 £000	**2008** £000
(Deficit)/surplus after depreciation of assets at cost	(7,372)	9,718
Depreciation and impairment of tangible fixed assets	15,326	11,725
Deferred capital grants released to income	(6,411)	(5,189)
Investment income	(4,318)	(7,000)
Loss on sale of investments	313	55
Interest payable	380	876
Decrease in stocks	90	14
(Increase)/decrease in debtors	(2,163)	739
Increase in creditors	11,195	800
Increase/(decrease) in provisions	3,801	(111)
Net cash inflow from operating activities	10,841	11,627

24. Returns on investments and servicing of finance

Income from endowments	770	857
Interest received and investment income	4,088	5,525
Interest paid	(436)	(892)
Net cash inflow from returns on investments and servicing of finance	4,422	5,490

25. Capital expenditure and financial investment

Payments to acquire tangible fixed assets	(26,720)	(15,905)
Deferred capital grants received	18,673	15,569
Endowment assets acquired and received	(2,967)	(3,433)
Receipts from sale of endowment assets	3,202	3,200
Purchase of fixed asset investments	(952)	(1,149)
Receipts from sale of fixed asset investments	819	979
Net cash outflow for capital expenditure and financial investment	(7,945)	(739)

26. Management of liquid resources

	2009 £000	2008 £000
Increase in short term deposits	(15,000)	(75,000)

27. Financing

	2009 £000	2008 £000
New unsecured loans	300	28
Repayments of unsecured loans	(1,000)	(905)
	(700)	(877)

28. Analysis of changes in net funds

	At 1/8/08 £000	Cash flow £000	Non-cash changes £000	At 31/7/09 £000
Investments	397	(141)	-	256
Endowment assets	3,676	270	-	3,946
Cash in hand and in bank	22,560	(8,511)	-	14,049
	26,633	(8,382)	-	18,251
Short-term investments	75,000	15,000	-	90,000
Debts due within one year	(950)	950	(1,020)	(1,020)
Debts due after one year	(13,357)	(250)	1,020	(12,587)
	87,326	7,318	-	94,644

29. Cash flows relating to exceptional items

Operating cash flows include an outflow of £351,000 (2008 £559,000) in respect of exceptional restructuring costs.

30. Pension schemes

The University participates in three defined benefit schemes.

Universities Superannuation Scheme

The University participates in the Universities Superannuation Scheme (USS), a defined benefit scheme which is externally funded and contracted out of the State Second Pension (S2P). The assets of the scheme are held in a separate fund administered by the trustee, Universities Superannuation Scheme Limited. Because of the mutual nature of the scheme, the University is unable to identify its share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis and, therefore, as required by FRS 17 'Retirement Benefits', accounts for the scheme as if it were a defined contribution scheme. 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.

30. Pension schemes continued

The latest actuarial valuation of the scheme was at 31 March 2008. This was the first valuation for USS under the new scheme – specific funding regime introduced by the Pensions Act 2004, which requires schemes to adopt a statutory funding objective, which is to have sufficient and appropriate assets to cover their technical provisions. The valuation was carried out using the projected unit method. The assumptions which have the most significant effect on the result of the valuation are those relating to the rate of return on investments (i.e. the valuation rate of interest), the rates of increase in salary and pensions and the assumed rates of mortality. The financial assumptions were derived from market yields prevailing at the valuation date. An "inflation risk premium" adjustment was also included by deducting 0.3% from the market implied inflation on account of the historically high level of inflation implied by Government bonds (particularly when compared to the Bank of England's target of 2.0% for CPI which corresponds broadly to 2.75% for RPI per annum).

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

Standard mortality tables were used as follows:

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

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

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

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

30. Pension schemes continued

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

The technical provisions relate essentially to the past service liabilities and funding levels, but it is also necessary to assess the ongoing cost of newly accruing benefits. The cost of future accrual was calculated using the same assumptions as those used to calculate the technical provisions except that the valuation rate of interest assumed asset out performance over gilts of 1.7% per annum (compared to 2% per annum for the technical provisions) giving a discount rate of 6.1% per annum; also the allowance for promotional salary increases was not as high. There is currently uncertainty in the sector regarding pay growth. Analysis has shown very variable levels of growth over and above general pay increases in recent years, and the salary growth assumption built into the cost of future accrual is based on more stable historic salary experience. However, when calculating the past service liabilities of the scheme, a cautionary reserve has been included, in addition, on account of the variability mentioned above.

The institution contribution rate required for future service benefits alone at the date of the valuation was 16% of pensionable salaries and the trustee company, on the advice of the actuary, agreed to increase the institution contribution rate to 16% of pensionable salaries from 1 October 2009.

Since 31 March 2008 global investment markets have continued to fall and at 31 March 2009 the actuary has estimated that the funding level under the new scheme specific funding regime has fallen from 103% to 74%. This estimate is based on the funding level at 31 March 2008, adjusted to reflect the fund's actual investment performance over the year and changes in market conditions (market conditions affect both the valuation rate of interest and also the inflation assumption which in turn impacts on the salary and pension increase assumptions).

On the FRS17 basis, using an AA bond discount rate of 7.1% per annum based on spot yields, the actuary estimated that the funding level at 31 March 2009 was 86%. An estimate of the funding level measured on a buy-out basis at that date was approximately 46%.

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

30. **Pension schemes** continued

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

USS is a "last man standing" scheme so that in the event of the insolvency of any of the participating employers in USS, the amount of any pension funding shortfall (which cannot otherwise be recovered) in respect of that employer will be spread across the remaining participant employers and reflected in the next actuarial valuation of the scheme.

The trustee believes that over the long-term equity investment and investment in selected alternative asset classes will provide superior returns to other investment classes. The management structure and targets set are designed to give the fund a bias towards equities through portfolios that are diversified both geographically and by sector. The trustee recognises that it would be possible to select investments producing income flows broadly similar to the estimated liability cash flows. However, in order to meet the long-term funding objective within a level of contributions that it considers the employers would be willing to make, the trustee has agreed to take on a degree of investment risk relative to the liabilities. This taking of investment risk seeks to target a greater return than the matching assets would provide whilst maintaining a prudent approach to meeting the fund's liabilities. Before deciding to take investment risk relative to the liabilities, the trustee receives advice from its investment consultant and the scheme actuary, and considers the views of the employers. The strong positive cash flow for the scheme means that it is not necessary to realise investments to meet liabilities. The trustee believes that this, together with the ongoing flow of new entrants into the scheme and the strength of covenant of the employers enables it to take a long-term view of its investments. Short-term volatility of returns can be tolerated and need not feed through directly to the contribution rate. The actuary has confirmed that the scheme's cash flow is likely to remain positive for the next ten years of more.

The next formal triennial actuarial valuation is due as at 31 March 2011. The contribution rate will be reviewed as part of each valuation and may be reviewed more frequently.

The total pension cost of the institution was £11,173,000 (2008 £10,182,000). This includes £946,000 (2008 £888,000) outstanding contributions at the balance sheet date. The contribution rate payable by the institution was 14% of pensionable salaries.

Strathclyde Pension Fund
The Strathclyde Pension Fund provides benefits based on final pensionable salary for employees of local government and some other institutions. It is not possible to identify each institution's share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis and hence contributions to the scheme are accounted for as if it were a defined contribution scheme.

30. Pension schemes continued

Strathclyde Pension Fund *continued*
The cost recognised within the surplus for the year in the Income and Expenditure Account is equal to the contributions payable in the year.

The assets of the Fund are held in a separately administered fund and the latest actuarial valuation of the Fund was at 31 March 2008. The assumptions which have the most significant effect on the results of the valuation are those relating to the returns on investments, inflation, rates of mortality, early retirals, staff turnover and the rates of increase in salaries and pensions. For the valuation at 31 March 2008, it was assumed that the overall anticipated long term return from equities would be 6.1% and 4.5% from gilts and bonds. It was further assumed salary scale increases would be 5.1% per annum and that pensions would increase by 3.6% per annum in real terms.

At the date of the 2005 actuarial valuation, which was carried out using the projected unit method, the market value of the assets of the Fund was £9,493M and the actuarial value of assets was sufficient to cover 95% of the benefits which had accrued to members after allowing for expected future increases in earnings. A funding level of less than 100% indicates a deficit and the past service deficit identified at 31 March 2008 is £486M. Assuming that a funding level of 100% is to be targeted over a period of the average remaining working lifetime of the active members an increased employer's contribution rate is required.

The employer's contribution rate payable by the University was between 14.8% and 17.7% of pensionable pay until 31 March 2009 and 21.1% of pensionable pay thereafter. Pension costs in respect of 2009 were £2,921,000 (2008 £2,625,000), of which £269,000 (2008 £225,000) was outstanding at the balance sheet date.

The current mortality assumptions have been based on the PMA92 and PFA92 'year of birth' mortality tables. Mortality rates have been increased by a factor of 110%.

The average assumed life expectancies on retirement at age 65 are:

Males (females) currently aged 65	20.3 (23.2) years
Males (females) currently aged 45	21.7 (24.6) years

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 13.5% of members' salaries until 31 March 2009 and 14.9% thereafter. The pension costs to the University in respect of STSS for 2009 were £442,000 (2008 £443,000), of which £36,000 (2008 £37,000) was outstanding at the balance sheet date. This is the full and total extent of the University's liability in respect of this scheme.

30. Pension schemes continued

Pension provision

The pension provision is made to cover pensions due to staff who have taken early retirement from the University. The provision at 31 July 2009 is £13,110,000 (2008 £9,253,000).

31. Taxation status

The University has charitable status and is recorded on the index of charities maintained by the Office of the Scottish Charity Regulator (Charity No. SC015263). The University is an exempt charity within the meaning of Section 506(1) of the Income & Corporation Taxes Act 1988. Accordingly, the University is exempt from taxation in respect of income or capital gains received within categories covered by Section 505 of the Taxes Act 1988 or Section 256 of the Taxation of Chargeable Gains Act 1992 to the extent that such income or gains are applied to exclusively charitable purposes. The University receives no exemption in respect of Value Added Tax.

32. Related party transactions

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

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

33. Post balance sheet events

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

34. HE bursaries and other student support funds

	2009 HE Childcare £000	2009 HE Discretionary £000	2009 Other £000	2009 Total £000	2008 Total £000
Balance brought forward	-	42	1	43	22
Allocation received in the year	320	1,005	14	1,339	1,182
Expenditure	(225)	(1,030)	(10)	(1,265)	(1,159)
Repaid to Funding Council as clawback	-	-	-	-	(2)
Virements	(71)	76	(5)	-	-
Balance carried forward	24	93	-	117	43
Repayable to Funding Council as clawback	-	-	-	-	-
Retained by University for students	24	93	-	117	43

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

court membership 2008/09

Court Membership 2008/09	Membership of Principal Committees of Court
Convener of Court	
Dr J F Livingston	Convener of Court Membership Group and Remuneration Committee. Member of Estates Strategy Committee
Ex Officio	
Principal and Vice-Chancellor Professor A Hamnett (until 28.02.09) Professor J McDonald (from 1.03.09)	Convener of University Management Committee, Member of Estates Strategy Committee, Staff Committee, Business Ventures Group and Court Membership Group
Vice-Principal Professor K Miller	Member of University Management Committee, Court Membership Group and Staff Committee
Local Government	
Bailie G Matheson (until 6.04.09)	
Councillor J Findlay (from 7.04.09)	
Convocation	
Mr J Fergus	
Convener, Dr J F Livingston	See above
Dr G R Wilson (Vice-Convener of Court)	Convener of Staff Committee, Member of Court Membership Group and Remuneration Committee
Mr M Wishart	Convener of Audit Committee and Member of Remuneration Committee
Senate	
Mr P Goldfinch	
Dr D Grierson	
Professor R Kalin	
Dr J McInnes	
Professor A Paterson	Member of Estates Strategy Committee
Mr M Ross	
Graduates Association	
Dr C Tedford	
Hon President of the Students Association	
Mr M Strachan (until 6.05.09)	
Mr L McMonagle (from 7.05.09)	
President of the Students Association	
Mr N Campbell	
Co-opted by Court (Lay Members)	
Mr R Cleland	Member of Staff Committee
Mr R Crawford	Member of Audit Committee
Mr D Dunbar (Deputy Convener of Court (Estates))	Convener of Estates Strategy Committee, Member of Court Membership Group and Remuneration Committee
Mr D Gray	
Dr P Hughes	Member of Audit Committee (until Nov 08) and Business Ventures Group (from Nov 08)
Mr R J A Hunter	Member of Business Ventures Group
Ms M McGarry (from 7.10.08)	Member of Audit Committee
Ms F McMenamin	Member of Staff Committee
Mr T J Monaghan (Treasurer)	Convener of Business Ventures Group, Member of Estates Strategy Committee, Remuneration Committee and Court Membership Group
Dr C Vance	Member of Business Ventures Group (until Nov 08) and Audit Committee (from Dec 08)
Non-Teaching Staff	
Ms K Morrison	
Ms L Whiteford	

The following individuals were not members of Court during the financial year to 31 July 2009 but were members of Court on the date the Financial Statements were approved: Professor M Poustie, Dr C Prior, Dr S Tagg, Mr P Whyte, Mr N Sturrock.

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