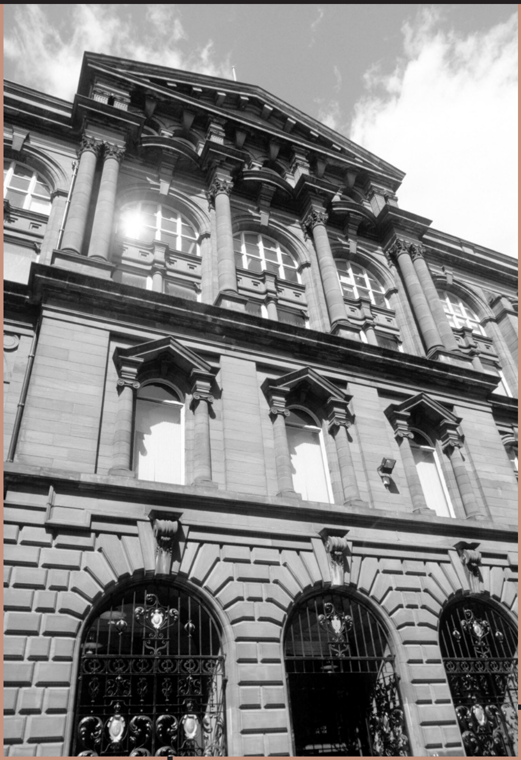
report & financial statements

2010



University of Strathclyde Glasgow

officers of the university

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

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

Convener of Court
J Fraser Livingston DUniv FRICS

Vice-Principal
Professor Kenneth Miller LLB LLM PhD

Deputy Principals
Professor Allister Ferguson BSc MA PhD CPhys FInstP FRSE FIEEE FOSA
Anne Hughes DCE ITQ SQN MPhil
Professor David Gani BSc DPhil CChem FRSC FRSE – (from 1.12.09)
Professor Philip Winn BA PhD – (from 1.1.10)

Secretary (and Chief Operating Officer)
Peter West OBE DL MA DUniv DPhil – (until 31.3.10)
Hugh Hall MBA CPFA (from 1.4.10)

contents

principal's statement

This past year has been one of significant achievement at the University, with a series of strategic initiatives which show that our vision – to be a leading international technological university – is fast becoming a reality.

Since its foundation, Strathclyde has enjoyed strong partnerships with business, industry and the public sector, with its graduates and academics making a material difference in the workplace, the professions and wider society. The ethos of ***useful learning*** differentiates us from other universities, and it has been the motivating force behind the reinvigoration of the University as a place where new knowledge is used to solve society's problems and to better prepare our students for fruitful careers.

From the past year, three projects stand out:

- the completion of the new Strathclyde Institute of Pharmacy and Biological Sciences building, providing a world-class education and research environment and an effective interface between researchers and the health sector – commercial and public;
- the opening of the Advanced Forming Research Centre, an internationally unique facility with partners who literally dominate the skies including Rolls Royce, Boeing, Mettis Aerospace, Timet and Aubert & Duval;
- the launch of the Strathclyde Marine Institute, with its focus on one of Scotland's most important industrial sectors providing a platform for our four faculties to undertake multidisciplinary work in tandem with industry partners.

These are only three of a series of initiatives including Sustainable Glasgow, the MAKO Centre for Surgical Robotics and the launch of the Advanced Space Concept Laboratory.

Building for the future was also one of the drivers for the restructuring of Strathclyde. The creation of a new Faculty – Humanities and Social Sciences – provides added impetus to disciplines crucial to today's world, and the major review of Professional Services brings a cutting edge to the delivery of support services, improving effectiveness by reducing duplication and improving cross-university coordination.

These initiatives have come amid some of the most dramatic changes in Higher Education funding in a generation. Scottish universities need to remain competitive, and the sector is committed to working with the Scottish Government to ensure we remain effective in this difficult economic period.

Universities exist for the public good, but operate in a manner that positions us between public and private sectors. Almost half our income comes from non-government sources, and we have ambitious plans to grow our income through research, international and postgraduate recruitment, consultancy, high impact knowledge exchange and philanthropic giving. Income generation is an essential component of a strong and healthy business, and this Operating and Financial Review demonstrates that Strathclyde is a well run and healthy organisation.

Cost reduction is the other side of the coin, and we have not been afraid to re-imagine and re-engineer our business model and drive down costs. The effective Early Retiral and Voluntary Severance Scheme will see some 349 members of staff leave the University. I would like to take the opportunity here to commend the professionalism of staff who managed that change management process.

The year also saw a number of new senior appointments across the academic and professional services teams, and the consolidation of the senior officer team which will lead the University into this new era. The University management is fully focussed on our strategic plan and reforged institutional mission and is ready to meet any challenges and seize any opportunities which arise.

I spoke last year of "the confidence that the University has in its future". This year, I am happy to report that we move forward even more confident that Strathclyde has the capacity to establish itself as one of the world's leading international technological universities.

Professor J McDonald
Principal and Vice-Chancellor
30 November 2010

Financial summary

	2010 £M	2009 £M
Summary		
Income	230.7	230.7
Expenditure before exceptional items	(230.1)	(229.4)
Surplus before exceptional items	0.6	1.3
Exceptional restructuring costs	(10.6)	(6.8)
Impairment of tangible fixed assets	-	(1.9)
Deficit for the year	(10.0)	(7.4)
Cash and borrowings		
Cash and short term investments	84.9	104.0
Borrowings	(12.9)	(13.6)
	72.0	90.4
Capital expenditure	40.4	28.9

Overview

The Financial Statements for the year ended 31 July 2010, 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 £0.6M from its underlying operations but incurred £10.6M of exceptional costs in respect of its early retiral and voluntary severance scheme. The results for the year, therefore, show an overall deficit of £10.0M.

The University recognised that the financial environment in 2009/10 would be challenging for a number of reasons and had forecast an operating deficit of £0.5M. Key factors impacting the projected outturn in 2009/10 include the impact on expenditure of a number of major estates refurbishment projects and inflationary pressures on salary expenditure. The three year nationally negotiated pay agreement, which ran from 2006 to 2008, resulted in ongoing increases to salary costs that were well above the growth in income levels. In addition, the employers' contribution to the Universities Superannuation Scheme rose from 14% to 16% on 1 October 2009.

It is pleasing that the actual operating outturn for the year was some £1.1M better than forecast as a result of strong control over staffing vacancies and operating expenditure.

The University launched its early retiral and voluntary severance scheme in April 2009. To assist with the effective management of changes needed as a consequence of the University's strategic plans, there was a need to reduce recurrent employment costs. By 31 July 2010, the University had offered early retiral or voluntary severance terms to 328 staff, the majority of whom left University service by September 2010. The cost of these packages in 2009/10 was £10.6M (2009 £6.8M). The savings in salary costs in 2009/10 was £4.0M and this will rise to a full year benefit of £13.2M by 2011/12.

At the year end, the University's cash balances totalled £84.9M. At a time of considerable uncertainty, the University is well placed in terms of financial strength to deal with the challenges ahead.

Income

Income in 2009/10 was in line with the previous year. Scottish Funding Council (SFC) grants decreased by 0.5% to £97.8M and represent 42.4% of total income. The recurrent teaching grant has decreased by £0.8M, largely as a result of revised funding arrangements whereby resources of around £1.1M have been transferred from SFC grants to home/EU tuition fees. The recurrent research grant decreased by £1.3M as a result of the revised financial arrangements following RAE 2008. These decreases were offset by an increase of £1.3M of Scottish Government funds for Initial Teacher Education.

Tuition fees increased by £5.1M to £72.7M, a rise of 7.5%. Home/EU fees have increased by £2.4M (8.3%) of which some £1.1M (3.8%) is attributable to the transfer of resources in respect of revised funding arrangements. The growth in non EU fees of £3.0M (13.3%) reflects continued expansion of overseas student numbers, particularly in Engineering and Business programmes.

Research Grant and Contract income has decreased by 2.6% to £36.6M. Whilst income from Research Councils, the European Commission and charities has increased during the period, this has been offset by a reduction of £2.6M in funding from UK Central Government departments.

The full year impact of six consecutive reductions in interest rates in early 2008/09 has resulted in a further reduction in interest receivable from £3.3M to £0.8M.

Expenditure

Salary costs were adversely impacted by agreed pay awards, incremental salary increases and the effect of an increase in the employer's pension contribution to the Universities Superannuation Scheme from 14% to 16%. Despite these inflationary increases, savings in salary costs of £4.0M as a result of staff leaving by means of early retirement/voluntary severance resulted in an overall decrease in salary costs of £0.4M. Depreciation (excluding exceptional items) increased by £1.1M to £14.6M as a result of ongoing investment in capital projects.

Capital programme

In December 2009 the University's governing body approved the University's £350M investment plan to develop a modern and environmentally sustainable campus. The creation of four academic quarters – Engineering, Business, Science and Humanities and Social Science will enable staff to pursue a more coordinated and multidisciplinary approach to teaching and research. Two major projects within the capital programme, the Strathclyde Institute of Pharmacy and Biomedical Sciences and the Advanced Forming Research Centre were substantially completed within the year.

The Strathclyde Institute of Pharmacy and Biomedical Sciences (SIPBS) is a pioneering, world class development, focusing on drug discovery and medical research with an overall cost of £36.0M. Some £18.4M was expended during the year and the building is now fully operational.

The bespoke research facility, Advanced Forming Research Centre (AFRC), supporting cross-sectoral collaborative partnerships between leading academic institutions and major industrial companies, became operational in 2010. This dedicated high quality purpose built development reflects the state of the art in forming and forging at a total cost of £14.0M, including £5.3M in 2009/10.

Net funds and cash flow

At 31 July 2010 cash and short term investments totalled £84.9M. Whilst this is some £19.1M lower than last year, some £40.4M has been expended on tangible fixed assets during the period. Further details on cash flow movements are given in Notes 23 to 29 of the Financial Statements.

Investment performance

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

The valuations of fixed asset investments and endowment assets have risen by £2.6M during the year as a result of the recovery in global equity markets.

During the year, the University received £0.2M of new endowments.

Treasury management

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

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

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

Risks and uncertainties

The University has a University-wide risk management process as detailed in the Corporate Governance Statement.

The following are the principal risks that the Court believes could materially affect the University, its reputation, revenues, liquidity and capital resources. The nature of risk is such that other risks may arise, or risks not currently considered material may become so in future.

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, Universities will experience a significant contraction in funding between 2010 and 2015. The Executive Team is working closely with colleagues in the sector to ensure that the University is not adversely impacted by differences between the funding regimes for Higher Education in Scotland and England.

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. The UK Government's plans for tighter immigration controls, including a proposed cap on immigrants, could impact the University's ability to attract overseas students.

Other policies

Staff and students with disabilities

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

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

Payment of creditors

The University attempts to ensure good relations with suppliers by making payment within 30 days of the invoice date or receipt of goods, whichever is later. At the year end, the University had trade creditors outstanding of £6.9M. Given that the University paid a total of £119.1M to trade creditors during the year, the amount outstanding at the year end represents 21 days (2008/09 26 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, however it is evident that the financial landscape will be significantly altered as a result of the steps the UK Government is taking to eliminate the public spending deficit. Notwithstanding the challenges that this will present, I believe that the University has a robust strategy in place to establish its position as a leading international technological university. At the core of this strategy will be the attraction and retention of high quality staff to an improving campus.

T J Monaghan, Treasurer
30 November 2010

governance & internal control

Introduction

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

The University's governance arrangements – including committees, decision-making processes, and organisational structure – have been significantly revised. The University Court has overseen this transition both directly and through its various committees and working groups.

Role of Court and general outline of corporate governance

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

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

In 2009/10 Court met seven times. Much of its detailed work is initially handled by several committees, including a Staff Committee, a Remuneration Committee, a Court Business Group, a Court Membership Group, an Audit Committee and an Estates Committee. All of these committees are formally constituted, with terms of reference approved by Court, have lay members in their membership, and report formally to Court on a regular basis. The Court Business Group meets in advance of each meeting of Court to review the business coming forward and to agree the agenda.

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

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

The Court Membership Group is chaired by the Convener of Court and considers nominations for co-opted vacancies in 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 and in Court's representation on other University committees. A number of lay members are appointed by external bodies.

The Audit Committee plays a key role in assisting Court review the arrangements for internal control and risk management. It meets normally six times a year including an annual Workshop event, with the Internal Auditors in attendance at all meetings and the External Auditors in attendance at two meetings per year. Whilst senior executives attend meetings of the Audit Committee as necessary, they are not members. Committee members meet on their own, with the Internal Auditor 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 Committee is responsible for all major property developments, and reports to Court on the implementation of the capital development programme.

The Executive Team is responsible for providing recommendations on the overall strategic direction of the University, for considering all major initiatives emerging and the resources required to support them, and for proposing these to Senate and Court as appropriate for final approval. It is chaired by the Principal and its membership comprises all the Senior Officers and Deans. In 2009/10 it met on a monthly basis.

The Court has previously considered its operating practices and reviewed its own effectiveness. Its practices have been compared to those advocated by the Committee of University Chairmen Guide for Members of Higher Education Governing Bodies in the UK (published in November 2004 and updated in March 2009). 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 the maximum of 25 as proposed in the guidance.

This position was reviewed as part of a wider review of the University's Charter and Statutes. Proposed revisions have been agreed within the University and a formal submission to amend the Charter and Statutes has been made to the Privy Council. Once approved the size of Court will reduce from 28 to 24.

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. A new Risk Management Framework has been developed within the University and was rolled-out across the University at the start of 2010. Risk registers are produced at Department/Divisional level and Faculty/Directorate level where they are regularly reviewed and managed by the appropriate individuals/committees with regular reports being made from one level to the next in the structure.

At each stage the risks are evaluated and distilled leading to the production of the Corporate Risk Register which is reviewed and managed by the Executive Team. A Risk Group, chaired by the Chief Operating Officer, is responsible for supporting and advising the Executive Team, and through it the Court, on the implementation and monitoring of the risk framework, this information also being used to inform the Strategic Plan. The Corporate Risk Register was presented to Court at its October 2010 meeting, to enable Court to carry out its annual assessment for the year ended 31 July 2010, which also takes into account reports from its various committees and events that have occurred since 31 July 2009. The Audit Committee's role in this area is one of a high level review of the arrangements for internal control. The emphasis is on obtaining the relevant degree of assurance and not merely reporting by exception.

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

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

Based on the above noted process, Court is of the view that there were adequate and effective internal controls in place and that there was an adequate and effective process for identifying, evaluating and managing the University's significant risks during the year ended 31 July 2010 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.

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.

T J Monaghan
Treasurer
30 November 2010

statement of primary responsibilities of the university court

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

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.

of the university court

continued

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

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

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

We have audited the Group and University financial statements for the year ended 31 July 2010 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, Statement of Corporate Governance and Internal Control and Court Membership 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 2010, and of the Group's income, expenditure and 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 with the Scottish Funding Council.

Ernst & Young LLP
Registered Auditor
Glasgow
30 November 2010

consolidated

income and expenditure account

for the year ended 31 July 2010

	Note	2010 £000	Restated 2009 £000
Income			
Funding Council grants	2	97,808	98,319
Tuition fees and education contracts	3	72,687	67,612
Research grants and contracts	4	36,635	37,626
Other income	5	21,816	22,779
Endowment and investment income	6	1,718	4,318
Total income		230,664	230,654
Expenditure			
Staff costs	7	138,720	139,088
Exceptional restructuring costs	9	10,546	6,784
Other operating expenses	9	76,670	76,448
Depreciation and impairment	9	14,564	15,326
Interest and other finance costs	8	156	380
Total expenditure	9	240,656	238,026
Operating surplus before exceptional items		554	1,303
Exceptional items	10	(10,546)	(8,675)
Deficit after depreciation of assets at cost		(9,992)	(7,372)
Transfer from/(to) accumulated income in endowment funds		38	(35)
Deficit for the year retained within general reserves	21	(9,954)	(7,407)

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

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

balance sheets as at 31 July 2010

		Consolidated		University	
	Note	**2010** £000	**2009** £000	**2010** £000	**2009** £000
Fixed assets					
Tangible assets	11	195,191	169,343	195,191	169,343
Investments	12	7,365	6,141	7,365	6,141
		202,556	175,484	202,556	175,484
Endowment assets	13	21,022	18,922	21,022	18,922
Current assets					
Surplus assets for disposal		412	412	412	412
Stock		256	255	256	255
Debtors	14	13,411	14,716	13,415	14,720
Investments	15	65,000	90,000	65,000	90,000
Cash at bank and in hand		19,908	14,049	19,902	14,043
		98,987	119,432	98,985	119,430
Creditors: amounts falling due within one year	16	(55,815)	(56,464)	(55,813)	(56,462)
Net current assets		43,172	62,968	43,172	62,968
Total assets less current liabilities		266,750	257,374	266,750	257,374
Creditors: amounts falling due after more than one year	17	(11,787)	(12,587)	(11,787)	(12,587)
Provisions for liabilities	18	(16,789)	(13,110)	(16,789)	(13,110)
Net assets		238,174	231,677	238,174	231,677

		Consolidated		University	
	Note	**2010** £000	**2009** £000	**2010** £000	**2009** £000
Deferred capital grants	19	102,328	88,650	102,328	88,650
Endowments					
Expendable	20	1,099	1,030	1,099	1,030
Permanent	20	19,923	17,892	19,923	17,892
		21,022	18,922	21,022	18,922
Reserves					
Income and Expenditure Account	21	113,863	123,847	113,863	123,847
Revaluation reserve	21	961	258	961	258
		114,824	124,105	114,824	124,105
Total Funds		238,174	231,677	238,174	231,677

The Financial Statements were approved by the University Court on 30 November 2010, 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 2010

	Note	2010 £000	2009 £000
Deficit on continuing operations		(9,992)	(7,372)
Appreciation/(depreciation) on revaluation of fixed asset investments	12, 21	673	(312)
Appreciation/(depreciation) of endowment assets	20	1,918	(1,747)
New endowments	20	220	1,131
Total recognised losses relating to the year		(7,181)	(8,300)

Reconciliation

Opening reserves and endowments	143,027	151,327
Total recognised losses for the year	(7,181)	(8,300)
Closing reserves and endowments	135,846	143,027

consolidated cash flow statement

for the year ended 31 July 2010

	Note	2010 £000	2009 £000
Net cash inflow from operating activities	23	1,079	10,841
Returns on investments and servicing of finance	24	1,557	4,422
Capital expenditure and financial investment	25	(20,682)	(7,945)
Management of liquid resources	26	25,000	(15,000)
Financing	27	(720)	(700)
Increase/(decrease) in cash in the year		6,234	(8,382)

Reconciliation of net cash flow to movement in net funds

	Note	2010 £000	2009 £000
Increase/(decrease) in cash in the year		6,234	(8,382)
Change in short term deposits	26	(25,000)	15,000
Change in debt	27	720	700
Change in net funds		(18,046)	7,318
Net funds at 1 August		94,644	87,326
Net funds at 31 July	28	76,598	94,644

1. Principal Accounting Policies

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

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

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

Changes in accounting policy
The accounting treatment for grants made in support of the training of research students has been amended to reflect the latest guidance from the Higher Education Statistics Agency (HESA). This prior year adjustment has no impact of the net assets at 1 August 2009 or on the deficit for the year ended 31 July 2009. However, it does result in some recategorisation within the 2008/09 Income and Expenditure Account. Research Training Support Grant income, included within ‘Other Contracts’ in Note 3, increases by £2,781,000 whilst Research Council Income decreases by £2,781,000. There are corresponding changes in expenditure with Academic Department expenditure increasing by £2,781,000 and Research Expenditure decreasing by £2,781,000.

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.

Non-recurrent grants received in respect of the acquisition or construction of fixed assets is 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) which are contracted out of the State Second Pension (S2P).

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

Foreign currencies

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

Land and buildings

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

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

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

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

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

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

1. **Principal Accounting Policies** continued

Equipment

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

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

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

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

Heritage assets

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

Surplus assets for disposal

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

Repairs and maintenance

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

Investments

Fixed Asset Investments are included in the Balance Sheet at market value except for investments in spin-out companies which are held at the lower of cost and net realisable value.

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

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

Stock

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

1. Principal Accounting Policies continued

Provisions, contingent liabilities and contingent assets

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

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

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

Cash flows and liquid resources

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

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

2. Funding Council grants

	2010	**2009**
	£000	£000
SFC Higher Education recurrent teaching grant	59,792	60,618
SFC recurrent research grant	20,442	21,782
SFC non-recurrent research grant	5,367	5,243
SEED Funding for Initial Teacher Education	4,140	2,887
Capital Investment Fund grants	-	470
Released from deferred capital grants	4,498	4,237
Other SFC grants	3,569	3,082
	97,808	98,319

3. Tuition fees and education contracts

		Restated
UK and EU fees	31,168	28,783
Non EU fees	25,843	22,813
Non credit bearing course fees	7,996	7,944
Education contracts	3,200	3,693
Other contracts	4,480	4,379
	72,687	67,612

4. Research grants and contracts

	2010 £000	Restated 2009 £000
Research Councils	17,897	17,230
UK based charities	4,123	3,812
European Commission	3,719	3,379
Other grants and contracts	9,247	11,800
Released from deferred capital grants	1,649	1,405
	36,635	37,626

5. Other income

Residences and catering	8,988	9,249
Other services rendered	5,041	5,891
Released from deferred capital grants	1,212	769
Royalty income	361	512
Accommodation charges and rental income	267	261
Other departmental income	3,669	3,543
Donations and subventions	626	651
Other	1,652	1,903
	21,816	22,779

6. Endowment and investment income

Income from expendable endowments	7	12
Income from permanent endowments	684	758
Interest receivable	815	3,330
Investment income	212	218
	1,718	4,318

7. Staff costs

	2010 £000	2009 £000
Wages and salaries	113,482	115,215
Social security costs	9,175	9,337
Other pension costs (Note 30)	16,063	14,536
	138,720	139,088

Average staff numbers by major category:	2010 Number	2009 Number
Academic and academic-related	2,027	2,102
Technical	246	262
Clerical	550	577
Operational	635	696
	3,458	3,637

	2010 £000	2009 £000
Remuneration, excluding employer's pension contributions, of the Principal and Vice-Chancellor was:		
Professor J McDonald (appointed 1 March 2009)	250	104
Professor A Hamnett (retired 28 February 2009)	-	128
	250	232

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 £39,000 (2009 £32,000).

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

	2010			2009		
	Senior	Other	Total	Senior	Other	Total
£70,001 - £80,000	-	64	64	-	65	65
£80,001 - £90,000	1	43	44	1	41	42
£90,001 - £100,000	-	20	20	-	20	20
£100,001 - £110,000	-	9	9	1	7	8
£110,001 - £120,000	3	3	6	2	3	5
£120,001 - £130,000	2	1	3	1	1	2
£130,001 - £140,000	-	1	1	1	-	1
£140,001 - £150,000	1	-	1	-	1	1
£190,001 - £200,000	-	-	-	1	-	1
£240,001 - £250,000	1	-	1	-	-	-

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

7. Staff costs continued

Payments in respect of compensation for loss of office are provided in the Financial Statements in the year of termination of office. Aggregate compensation for loss of office of staff whose earnings are more than £70,000 per annum or where the costs of all elements of a proposed arrangement amount to more than £100,000 comprised:

	2010 £000	**2009** £000
Compensation paid	487	91
Pension benefits	5,585	2,883
	6,072	2,974

8. Interest and other finance costs

Loans not wholly repayable within five years	156	380

9. Analysis of expenditure by activity

	Staff Costs £000	**Other Operating expenses** £000	**Interest and other finance costs** £000	**2010 Total** £000	**Restated 2009 Total** £000
Academic departments	78,975	20,952	-	99,927	99,145
Academic services	11,610	4,758	-	16,368	15,781
Research grants and contracts	15,485	10,361	-	25,846	25,879
Administration and Central Services	15,799	7,242	-	23,041	22,099
Residences and catering	3,532	3,664	-	7,196	8,193
Premises	8,378	18,971	-	27,349	28,183
Other expenses	4,941	10,722	156	15,819	16,636
	138,720	76,670	156	215,546	215,916
Exceptional restructuring costs				10,546	6,784
Exceptional impairment costs				-	1,891
Depreciation				14,564	13,435
Total per income and expenditure account				240,656	238,026

Exceptional restructuring costs of £10,546,000 (2009 £6,784,000) were incurred as a result of the Early Retiral and Voluntary Severance scheme introduced to reduce recurrent employment costs.

The depreciation charge has been funded by:		
Deferred capital grants released	7,359	6,611
General income	7,205	6,824
	14,564	13,435
Other operating expenses include:		
External auditors remuneration - audit services	67	64
External auditors remuneration - non-audit services	61	51

10. Exceptional items

	2010 £000	2009 £000
Restructuring costs	10,546	6,784
Impairment of tangible fixed assets	-	1,891
	10,546	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 2009	224,184	8,286	19,198	22,552	274,220
Additions	10,517	1,108	19,167	9,620	40,412
Transfers	2,604	-	(2,604)	-	-
Disposals	-	-	-	(1,559)	(1,559)
At 31 July 2010	237,305	9,394	35,761	30,613	313,073
Depreciation					
At 1 August 2009	85,140	6,936	1,963	10,838	104,877
Charge for period	8,903	307	-	5,354	14,564
Disposals	-	-	-	(1,559)	(1,559)
At 31 July 2010	94,043	7,243	1,963	14,633	117,882
Net book value at 31 July 2010	143,262	2,151	33,798	15,980	195,191
Net book value at 31 July 2009	139,044	1,350	17,235	11,714	169,343

Buildings with a net book value of £102,387,000 and cost of £181,918,000 have been funded in part or in whole from Treasury sources. Should these particular buildings be sold, the University would have to surrender the relevant proceeds to the Treasury or use them in accordance with the Financial Memorandum with the Scottish Funding Council.

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

12. Fixed asset investments

	Consolidated and University	
	2010	**2009**
	£000	£000
At 1 August	6,141	6,774
Additions	1,284	952
Disposals	(858)	(1,132)
Increase/(decrease) in market value of investments	673	(312)
Increase/(decrease) in cash balances	125	(141)
At 31 July	7,365	6,141
Represented by:		
Fixed interest investments (listed)	1,135	1,125
Equities (listed)	5,203	4,102
Cash at bank	381	256
Spin-out company investments	401	413
Synergy investments	193	193
Other	52	52
	7,365	6,141

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

The University's principal subsidiary undertakings are:

	% Holding	Main Activity	Year End
Strathclyde University Incubator Limited	100	Incubator for technology based business	31/3/10
University of Strathclyde Properties Limited	100	Property Company	31/7/10
Haleno Limited	100	Property Company	31/7/10
SGBS Limited	100	Property Company	31/7/10

13. Endowment assets

	Consolidated and University	
	2010	**2009**
	£000	£000
At 1 August	18,922	19,503
Additions	3,956	4,098
Disposals	(4,024)	(3,202)
Increase/(decrease) in market value of investments	1,918	(1,747)
Increase in cash balances held for endowment funds	250	270
At 31 July	21,022	18,922
Represented by:		
Fixed interest investments (listed)	2,888	3,721
Equities (listed)	13,750	11,089
Bank deposits	188	166
Cash at bank held for endowment funds	4,196	3,946
Total endowment assets	21,022	18,922
Fixed interest investments and equities at cost	14,173	14,223

14. Debtors

	Consolidated		University	
	2010	**2009**	**2010**	**2009**
	£000	£000	£000	£000
Debtors	10,755	12,549	10,755	12,549
Prepayments and accrued income	2,656	2,167	2,660	2,171
	13,411	14,716	13,415	14,720

15. Current asset investments

	Consolidated		University	
	2010 £000	**2009** £000	**2010** £000	**2009** £000
Deposits maturing:				
in one year or less	65,000	90,000	65,000	90,000

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 2010 the weighted average interest rate of these fixed deposits was 0.89% per annum and the remaining weighted average period for which the interest rate is fixed on these deposits was 60 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	
	2010 £000	**2009** £000	**2010** £000	**2009** £000
Unsecured loans	1,100	1,020	1,100	1,020
Creditors	17,582	16,668	17,580	16,666
Social security and other taxation payable	2,993	3,074	2,993	3,074
Accruals	8,343	10,034	8,343	10,034
Deferred income	25,797	25,668	25,797	25,668
	55,815	56,464	55,813	56,462

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

	Consolidated and University	
	2010	**2009**
	£000	£000
Analysis of unsecured loans:		
Due within one year or on demand	1,100	1,020
Due between one and two years	1,180	1,100
Due between two and five years	4,140	3,840
Due in five years or more	6,467	7,647
	12,887	13,607
Due within one year or on demand	(1,100)	(1,020)
Due after more than one year	11,787	12,587

The unsecured bank loan of £11,560,000 (2009 £12,580,000) is repayable by instalments between 1 August 2010 and 31 July 2018 and interest is charged at 0.5% above the Base Rate. The University has recurrent loans totalling £727,000 (2009 £727,000) 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 £600,000 (2009 £300,000) from Salix Finance Ltd which are partially repayable in five years or more. The dates and quantum of repayments are wholly dependent upon the timing of expenditure and savings related to various energy efficiency and renewable energy projects funded by these loans, which require matched funding by the University.

18. **Provisions for liabilities**

	Consolidated and University	
	2010	**2009**
	£000	£000
Pensions		
At 1 August	13,110	9,309
Expenditure in the year	(5,592)	(2,033)
Transfer from Income and Expenditure Account	8,792	5,409
Revaluation adjustment	479	425
At 31 July	16,789	13,110

The University has an obligation in respect of former employees who have retired and for whom an enhanced pension has been provided. Some £8,994,000 (2009 £8,479,000) of this liability continues throughout the retirement period and is assessed by independent actuarial valuation. The principal assumptions are a discount rate of 5.3% (2009 6.2%) and pension increases of 2.9% (2009 3.2%). The balance of £7,795,000 (2009 £4,631,000) relates to the estimated cost of enhanced benefits and strain costs which will be settled via future payments to the Universities Superannuation Scheme, Strathclyde Pension Fund and the Scottish Teachers' Superannuation Scheme.

19. Deferred capital grants

Consolidated and University	Funding Council £000	Other grants and benefactions £000	Total £000
At 1 August 2009			
Buildings	59,712	22,066	81,778
Equipment	5,770	1,102	6,872
Total	65,482	23,168	88,650
Cash Receivable			
Buildings	7,246	6,724	13,970
Equipment	2,986	4,081	7,067
Total	10,232	10,805	21,037
Released to income and expenditure			
Buildings	3,064	899	3,963
Equipment	1,434	1,962	3,396
Total	4,498	2,861	7,359
At 31 July 2010			
Buildings	63,894	27,891	91,785
Equipment	7,322	3,221	10,543
Total	71,216	31,112	102,328

20. Endowments

Consolidated and University	Unrestricted Permanent £000	Restricted Permanent £000	Total Permanent £000	Restricted Expendable £000	2010 Total £000	2009 Total £000
At 1 August 2009						
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
New Endowments	6	114	120	100	220	1,131
Investment Income	117	567	684	7	691	770
Expenditure	(117)	(557)	(674)	(55)	(729)	(735)
	-	10	10	(48)	(38)	35
Increase/(decrease) in market value of investments	382	1,519	1,901	17	1,918	(1,747)
At 31 July 2010	3,242	16,681	19,923	1,099	21,022	18,922
Represented by:						
Capital	3,242	14,472	17,714	-	17,714	15,693
Accumulated income	-	2,209	2,209	1,099	3,308	3,229
	3,242	16,681	19,923	1,099	21,022	18,922

21. Reserves

Consolidated and University	Income and Expenditure Account £000	Revaluation Reserve £000	Total £000
At 1 August 2009	123,847	258	124,105
Deficit retained for the year	(9,954)	-	(9,954)
Revaluation of fixed asset investments	-	673	673
Realised revaluation loss on sale of investments	(30)	30	-
At 31 July 2010	113,863	961	114,824

22. Capital commitments

	Consolidated and University 2010 £000	Consolidated and University 2009 £000
Commitments contracted at 31 July	9,876	28,281

Of the above commitments, £8,190,000 (2009 £24,887,000) will be funded from external sources.

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

	2010 £000	2009 £000
Deficit after depreciation of assets at cost	(9,992)	(7,372)
Depreciation and impairment of tangible fixed assets	14,564	15,326
Deferred capital grants released to income	(7,359)	(6,411)
Investment income	(1,718)	(4,318)
(Gain)/loss on sale of investments	(38)	313
Interest payable	156	380
(Increase)/decrease in stocks	(1)	90
(Decrease)/increase in debtors	192	(2,163)
Increase in creditors	1,596	11,195
Increase in provisions	3,679	3,801
Net cash inflow from operating activities	1,079	10,841

24. Returns on investments and servicing of finance

	2010 £000	2009 £000
Income from endowments	691	770
Interest received and investment income	1,023	4,088
Interest paid	(157)	(436)
Net cash inflow from returns on investments and servicing of finance	1,557	4,422

25. Capital expenditure and financial investment

	2010 £000	2009 £000
Payments to acquire tangible fixed assets	(42,736)	(26,720)
Deferred capital grants received	22,154	18,673
Endowment assets acquired and received	(3,736)	(2,967)
Receipts from sale of endowment assets	4,024	3,202
Purchase of fixed asset investments	(1,284)	(952)
Receipts from sale of fixed asset investments	896	819
Net cash outflow for capital expenditure and financial investment	(20,682)	(7,945)

26. Management of liquid resources

	2010 £000	2009 £000
Decrease/(increase) in short term deposits	25,000	(15,000)

27. Financing

	2010 £000	2009 £000
New unsecured loans	300	300
Repayments of unsecured loans	(1,020)	(1,000)
	(720)	(700)

28. Analysis of changes in net funds

	At 1/8/09 £000	Cash flow £000	Non-cash changes £000	At 31/7/10 £000
Investments	256	125	-	381
Endowment assets	3,946	250	-	4,196
Cash in hand and in bank	14,049	5,859	-	19,908
	18,251	6,234	-	24,485
Short-term investments	90,000	(25,000)	-	65,000
Debts due within one year	(1,020)	1,020	(1,100)	(1,100)
Debts due after one year	(12,587)	(300)	1,100	(11,787)
	94,644	(18,046)	-	76,598

29. Cash flows relating to exceptional items

Operating cash flows include an outflow of £6,429,000 (2009 £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 contracted out of the State Second Pension (S2P). The assets of the scheme are held in a separate fund administered by the trustee, Universities Superannuation Scheme Limited. Because of the mutual nature of the scheme, the scheme's assets are not hypothecated to individual institutions and a scheme wide contribution rate is set. The University is, therefore, exposed to actuarial risks associated with other institutions' employees and is unable to identify its share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis and, therefore, as required by FRS 17 'Retirement Benefits', accounts for the scheme as if it were a defined contribution scheme. As a result the amount charged to the Income and Expenditure Account represents the contributions payable to the scheme in respect of the accounting period.

The latest triennial actuarial valuation of the scheme was at 31 March 2008. This was the first valuation for USS under the new scheme specific funding regime introduced by the Pensions Act 2004, which requires schemes to adopt a statutory funding objective, which is to have sufficient and appropriate assets to cover their technical provisions. The actuary also carries out a review of the funding level each year between triennial valuations and details of investment of the funding level at 31 March 2010 are also included in this note.

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

30. Pension schemes continued

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.

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

The technical provisions relate essentially to the past service liabilities and funding levels, but it is also necessary to assess the ongoing cost of newly accruing benefits. The cost of future accrual was calculated using the same assumptions as those used to calculate the technical provisions except that the valuation rate of interest assumed asset out performance over gilts of 1.7% per annum (compared to 2% 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.

30. Pension schemes continued

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 fluctuate and at 31 March 2010 the actuary has estimated that the funding level under the new scheme specific funding regime has fallen from 103% to 91% (a deficit of £3,065M). Compared to the previous 12 months, the funding level has improved from 74% (as at 31 March 2009) to 91%. This estimate is based on the funding level at 31 March 2008, adjusted to reflect the fund's actual investment performance over the two years and changes in market conditions (market conditions affect both the valuation rate of interest and also the inflation assumption which in turn impacts on the salary and pension increase assumptions).

On the FRS17 basis, using a AA bond discount rate of 5.6% per annum based on spot yields, the actuary estimated that the funding level at 31 March 2010 was 80%. An estimate of the funding level measured on a buy-out basis at that date was approximately 57%.

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:

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

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

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

30. Pension schemes continued

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

The 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.

At 31 March, USS had over 135,000 active members and the University had 2,157 active members participating in the scheme.

The total pension cost of the institution was £12,682,000 (2009 £11,173,000). This includes £1,779,000 (2009 £946,000) outstanding contributions at the balance sheet date. The contribution rate payable by the institution was 16% of pensionable salaries.

Strathclyde Pension Fund

The Strathclyde Pension Fund provides benefits based on final pensionable salary for employees of local government and some other institutions. 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.

The amount charged to 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 2008 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.

30. Pension schemes continued

Strathclyde Pension Fund continued

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 2010 were £3,041,000 (2009 £2,921,000), of which £303,000 (2009 £269,000) 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 14.9% of members' salaries. The pension costs to the University in respect of STSS for 2010 were £340,000 (2009 £442,000), of which £33,000 (2009 £36,000) was outstanding at the balance sheet date. This is the full and total extent of the University's liability in respect of this scheme.

Pension provision

The pension provision is made to cover pensions due to staff who have taken early retirement from the University. The provision at 31 July 2010 is £16,789,000 (2009 £13,110,000).

31. Taxation status

The University has charitable status and is recorded on the index of charities maintained by the Office of the Scottish Charity Regulator (Charity No. SC015263). The University is an exempt charity within the meaning of Paragraph 1 of Schedule 6 to the Finance Act 2010. Accordingly, the University is exempt from taxation in respect of income or capital gains received within categories covered by Sections 478 – 488 of the Corporation Tax Act 2010 (formerly enacted in Section 505 of the Taxes Act 1988) or Section 256 of the Taxation of Chargeable Gains Act 1992 to the extent that such income or gains are applied to exclusively charitable purposes. The University receives no exemption in respect of Value Added Tax.

32. Related party transactions

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

32. Related party transactions continued

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

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

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

33. Post balance sheet events

On 1 October 2010, the Synergy Fund was dissolved. Loans previously advanced by the Synergy Fund to the University (£727,000 per Note 17) were waived with effect from that date. Certain assets of the Synergy Fund will be transferred to the University including some £200,000 in cash.

34. HE bursaries and other student support funds

	2010 HE Childcare £000	2010 HE Discretionary £000	2010 Other £000	2010 Total £000	2009 Total £000
Balance brought forward	24	93	-	117	43
Allocation received in the year	313	1,016	13	1,342	1,339
Expenditure	(256)	(1,150)	(11)	(1,417)	(1,265)
Repaid to Funding Council as clawback	-	-	-	-	-
Virements	(70)	72	(2)	-	-
Balance carried forward	11	31	-	42	117
Repayable to Funding Council as clawback	-	-	-	-	-
Retained by University for students	11	31	-	42	117

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 2009/10

Court Membership 2009/10	Membership of Principal Committees of Court
Convener of Court	
Dr J F Livingston	Convener of Court Membership Group and Remuneration Committee. Member of Estates Committee
Ex Officio	
Principal and Vice-Chancellor Professor J McDonald	Convener of Executive Team, Member of Estates Committee, Staff Committee, and Court Membership Group
Vice-Principal Professor K Miller	Convener of Staff Committee; Member of Executive Team and Court Membership Group
Local Government	
Councillor J Findlay	
Convocation	
Dr J Fergus	
Convener, Dr J F Livingston	See above
Dr G R Wilson (Vice-Convener of Court)	Member of Staff Committee, Court Membership Group and Remuneration Committee
Mr M Wishart	Convener of Audit Committee and Member of Remuneration Committee
Senate	
Dr D Grierson	
Professor R Kalin	
Dr J McInnes	
Professor M Poustie	
Dr C Prior	
Dr S Tagg	
Graduates Association	
Dr C Tedford	
Hon President of the Students Association	
Mr L McMonagle	
President of the Students Association	
Mr P Whyte	
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))	Member of Estates Committee, Court Membership Group and Remuneration Committee
Mr D Gray	
Dr P Hughes	
Mr R J A Hunter	
Ms M McGarry	Member of Audit Committee
Mr T J Monaghan (Treasurer)	Member of Estates Committee, Remuneration Committee and Court Membership Group
Dr C Vance (until 26.10.09)	Member of Audit Committee
Non-Teaching Staff	
Mr N Sturrock	
Ms L Whiteford	

The following individuals were not members of Court during the financial year to 31 July 2010 but were members of Court on the date the Financial Statements were approved: Dr K O'Gorman, Dr L Woolfson, Mr J Perry.

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