



University of  
**Strathclyde**  
Glasgow

# REPORT & FINANCIAL STATEMENTS

YEAR ENDED 31 JULY 2018



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The Rt Hon The Lord Smith of Kelvin KT CH

### Principal and Vice-Chancellor

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Hugh Darby BAcc (Hons) CA, Acting Chief Financial Officer (from 22/08/18)

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Professor Douglas Brodie LLB PhD, Associate Principal and Executive Dean of the Faculty of Humanities and Social Sciences

Professor David Littlejohn BSc PhD FRSE CChem FRSC, Associate Principal and Executive Dean of the Faculty of Science (until 31/07/18)

Professor Robert Martin MA, DPhil, FInstP, Acting Associate Principal and Executive Dean of the Faculty of Science (from 01/08/18 until 30/09/18)

Professor Iain Stewart MA PhD FRSE FIMA, Associate Principal and Executive Dean of the Faculty of Science (from 01/10/18)

Professor Atilla Incecik BSc PhD CEng MRINA MSNAJ MSNAME, Associate Principal and Executive Dean of the Faculty of Engineering

Professor Sara Carter BA (Hons) PhD OBE FRSE, Associate Principal (Learning and Teaching)

Professor Tim Bedford BSc MSc PhD FRSE FSaRS FIMA, Associate Principal (Research and Innovation)

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# Principal's Report

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**With the conclusion of another successful year for the University of Strathclyde, I have great pleasure in presenting to you our financial statements for 2018.**

This has been a year of accelerated delivery of our strategic objectives and reinforcement of our distinctive position as a leading international technological university within our socially progressive agenda. We seek solutions to the world's most pressing challenges addressing health, energy, economics, policy and technology. We excel in the creation of innovative models for collaboration with business, industry and public sector partners and we produce high calibre graduates ready to contribute to their chosen professions and society – they are the leaders for tomorrow.

Our University is in a strong financial position, which is a reflection of the confidence our partners and investors have in our ability to deliver. It is also enabling us to enhance the experience of our students and staff, and to make a major contribution to our city, to Scotland and the UK, and the global communities we serve.

We are immensely proud of our network of local, national and international partners who are helping us to pioneer breakthroughs in science, engineering, social sciences and humanities. These help us to understand complex societal challenges and to drive business and economic growth. In the last 12 months, we have furthered this engagement through our leadership role in the development of the Glasgow City Innovation District – the first of its kind in Scotland. With our Technology and Innovation Centre (TIC) at its heart, the District is a dynamic hub for networks of businesses, organisations and academics to inform, exchange and generate new ideas.

Together with our partners, we are growing new clusters of collaborative research in areas including Space, FinTech, Health Technology, Industrial Informatics, 5G Communications and Quantum Technology. These clusters, coupled with the current TIC themes are creating one of the most intense research and innovation hubs in Europe.

Our acquisition of the neighbouring Inovo building from Scottish Enterprise during the year has helped us work side-by-side with increasing numbers of partners, and attract further innovative businesses to the city. The building provides accommodation for three of the Scottish Innovation Centres and a raft of companies. Along with the TIC facility, it also hosts four of the UK Catapult Centres in Offshore Renewable Energy, High Value Manufacturing, Satellite Applications and Transport Systems – an unparalleled community.

In a major development this year, we have been identified as the anchor university for the National Manufacturing Institute for Scotland, announced by the First Minister in December 2017. The new institute aims to help manufacturing businesses throughout Scotland to become world-leaders in innovation, and to attract inward investment to the UK, through the translation from world-class research outputs to new devices, systems and solutions.

The Institute will comprise a Digital Factory, a Manufacturing Skills Academy, and an Innovation Collaboratory to create a global-scale centre of expertise in manufacturing excellence. Our vision and ability to deliver such scaled investments and infrastructure has led to the creation of a second innovation district, centred around the national institute, including a Medicines Manufacturing Innovation Centre, which will see Strathclyde expertise supporting partners to revolutionise the way medicines are manufactured. The centre will provide the physical infrastructure and capability for global companies and their supply chain partners to develop and test the disruptive technologies of tomorrow, accelerating their adoption, and, ultimately, bringing extremely high-quality, sustainable and cost-effective drugs to market more quickly.



Our links to business and industry are invaluable in the preparation of our students for successful careers. We have received several awards this year, including being named Higher Educational Institution of the Year at the Herald Higher Education Awards – an endorsement of the quality of education we offer to our students.

Our ongoing commitment to the quality of our students' education and experience is also reflected by the location, at the centre of campus, of our new £60 million Learning and Teaching facility. This is the biggest investment we have ever made from our own funds in a single capital project and will offer extensive educational facilities and support services as well as modern, purpose-built accommodation for our Students' Association.

The Learning and Teaching hub is a continuation of our decade-long programme of major investment in our campus, which is delivering high quality facilities for our staff, students and partners.

This year, we were delighted to open our new £31 million Strathclyde Sport facility, which offers state-of-the-art sport, training, fitness and wellbeing facilities for all. The new centre is receiving tremendous feedback from our students, staff and the wider community.

Meanwhile, our Combined Heat and Power Network will be fully commissioned by the end of 2018, and will significantly reduce our carbon emissions in support of our development of a sustainable campus. It will generate low carbon heat and power on site, with energy distributed to research and teaching buildings around the campus.

We are also pleased to report that, since the year end, the sale has been concluded of the former Jordanhill campus. Proceeds from the sale will be reinvested in our city centre campus and enhancing students' experience, contributing to our strong sense of community.

As a socially progressive institution, we are continually working to widen participation in higher education, so that anyone with the ability and desire to study can do so, regardless of their background or circumstances. Once again, we exceeded our admissions target and remain the research intensive university with the largest intake of students from the most challenging socio-economic backgrounds.

This strong commitment to supporting people has led to a series of awards and accolades for the University community this year. We had four wins in the Herald Higher Education Awards, two in the UK-wide Guardian University Awards and three in the Global Game Changers Awards. Harnessing the power of higher education to make a positive difference remains at the very heart of our ethos at the University of Strathclyde.

All of these many achievements have been made possible by the excellent work and commitment of the Strathclyde community - our staff, students and partners - and I would like to thank them all for their efforts and support. Our vision as a leading international technological university is standing us in good stead, and I look forward to enjoying yet more successes together in the coming year.

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**Professor Sir Jim McDonald**  
Principal and Vice-Chancellor  
29 November 2018

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UNIVERSITY OF STRATHCLYDE



LEARNING

# Strategic Report

## VISION AND MISSION

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

Our commitment to useful learning shapes and defines our academic endeavour across research, knowledge exchange and the delivery of learning and teaching. In pursuit of this vision our five-year Strategic Plan includes ambitious targets structured around three strategic themes and two cross-cutting themes, as outlined in the diagram below.

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

Within our five-year Strategic Plan we refined and focused our targets in the form of 16 key performance indicators as we look to further drive our academic performance, consolidate and build upon our strong financial position and enhance and extend our global reputation. The information on performance measures provided below represents progress following three years of implementation. For some measures, a longer-term trajectory is provided, with the aim of providing an enhanced view of longer-term trend.



## OUTSTANDING STUDENT EXPERIENCE

### Strategic context

At Strathclyde we ensure a positive learner journey for all by focusing on successful transitions across all levels of education; as a socially progressive university we are committed to providing access to people from the widest possible range of backgrounds, to improving student retention and ensuring onward success. Our strategic ambitions focus on growing our postgraduate cohorts, diversifying our student population and creating flexible pathways, including work-based learning, so that individuals from a variety

of backgrounds can benefit from the distinctive student experience at Strathclyde. The National Student Survey, the divergence in UK higher education policy and funding, and the growth of national and international rankings have led to a highly competitive environment for student recruitment.

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

Performance measures	Progress/activity
<b>Achieve an annual intake of 1,000 Scottish domiciled undergraduates from SIMD 0-40 areas by 2020</b>	The University has exceeded its annual milestones for the recruitment of Scottish-domiciled undergraduates from SIMD 0-40 areas. We remain the Scottish research-intensive university with the largest number of entrants from the 40% most deprived areas in Scotland. In 2018, Strathclyde admitted 1,085 SIMD 0-40 entrants, which exceeded the milestone set for 2018 (947 headcount) and met the target set for 2020. SIMD 0-40 now represents over one-third of our undergraduate entrant population which progresses the University significantly towards meeting Scottish Government Commission on Widening Access targets.
<b>Maintain undergraduate retention from Year 1 to Year 2</b>	Whilst our student population continues to change we have broadly maintained our high retention rate. Strathclyde's proportion of 2015/16 undergraduate entrants retained in 2016/17 was 91.4%, which is up by 0.8% year-on-year, this is also above the UK average by 1.3% and above the Scottish average by 0.4%.
<b>Achieve Student Satisfaction (overall) of 90% or higher annually in the National Student Survey</b>	At 84%, our performance in overall NSS satisfaction has shown a 3% year-on-year drop in performance. Following this drop in student satisfaction, the University has prioritised action plans supporting ownership, engagement, and intervention on areas for improvement across Schools, Departments, and Faculties. This supplements our existing Institutional NSS Improvement Framework which continues to support sharing of effective practice, monitoring and review at an institutional level – it is supported by Education Strategy Committee in partnership with the student community.
<b>Meet or exceed our HESA benchmark annually for the proportion of graduates in work or further study</b>	In 2018 94% of our graduates are in work or further study six months after their graduation, which is 0.9% lower than our HESA benchmark and 1.8% lower than in 2017. Annual fluctuation is expected for this indicator and it should be noted that the new 'Graduate Outcomes' survey is being introduced centrally across the UK from December 2018 by HESA. A key change is that the survey point will be extended from six months to fifteen months after graduation, creating a gap in reporting.
<b>Increase our postgraduate taught (PGT) population to 3,100 FTE by 2020</b>	The postgraduate taught population increased to 3,500 FTE in 2018. This represents a considerable increase on the baseline figure of 2,340 FTE and is ahead of the final target of 3,100 which was set for 2020.

## Risks

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



## INTERNATIONALLY-LEADING RESEARCH

### Strategic context

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

Our distinctive mission and our focus on partnership with industry and international partners have played a significant part in our recent success.

Performance measures	Progress/activity
Increase our total competitively won research income to £70 million by 2020	Flowing from the University's success in the 2014 Research Excellence Framework exercise and ongoing high quality research outputs with impact, research income in 2018 totals £68.9 million, representing a year-on-year increase of £3.3 million (5.0%) and an overall increase of over 60% over a six-year period.
Achieve an overall field-weighted citation impact rate 50% greater than the world average by 2020	Our field-weighted citation impact (FWCI) rate was 77% greater than the world average in 2017, which exceeds the final target and represents a significant increase on the 39% baseline figure set at the outset of the Strategic Plan and is above the final target set for achievement by 2020.
Increase our postgraduate research (PGR) population to 1,750 FTE by 2020	Aligned to our growth in research income and industry-sponsored activity, we have experienced significant growth in our postgraduate research student population over the past five years. Growing intakes further, to ensure continued population growth, became more challenging during 2017 and our overall population in 2018 has fallen slightly to 1,980 headcount (1,410 FTE) as successful students achieve their awards. Substantial growth in our population in recent years has made a significant contribution to our research intensification agenda. Strathclyde is pursuing opportunities for renewed growth in this area.

## Risks

Whilst the University has had considerable success and the pipeline of income from research grants already won is strong, further growth in this area will undoubtedly require continued focus, particularly in the context of the UK's planned exit from the EU in March 2019. Continuing our historically strong performance in securing EU framework programme funds in the short to medium term will be a key focus, whilst building up income streams from other sources and capitalising on opportunities arising through the UK Government's Industrial Strategy.

Further development and expansion of our relationships with business and industry, and outwith the EU, will become increasingly important for the support of postgraduate research students as well as research income growth.

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

## WORLD-LEADING INNOVATION AND IMPACT

### Strategic context

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

Performance measures	Progress/activity
<b>Increase our total income from licensing, gains on sales of spin out/spin off investments, CPD and consultancy to £30 million by 2020 (based on a two-year average figure)</b>	Financially we have continued to develop our consultancy income, which totalled £13.0 million in 2018, whilst our CPD income totalled £15.5 million – combined our progress for the KPI is in line with the milestones required to achieve the target by 2020, with a total two-year average figure for income from licensing, gains on sales of spin out/spin off investments, CPD and consultancy of £27.2 million in 2018. Our broader successes in this area have seen us retain our position in the UK top five institutions undertaking Knowledge Transfer Partnerships with industry with a portfolio of 29 such funded partnership awards.
<b>Increase our total industry research income to £18 million by 2020</b>	In line with our strategy we have had a continued focus on industry research income, as a subset of total research income, which now totals £15.8 million. Whilst we have grown our income year-on-year, we will require continued success in future years to achieve our 2020 target.

### Risks

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

## GLOBAL ENGAGEMENT

### Strategic context

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

This is reflected in the increasingly international and collaborative nature of our research, scholarship, knowledge exchange and innovation, but also in our drive to deliver a teaching and learning experience which equips our graduates with the necessary attributes to flourish in the global workplace. Through our strategic partnerships with selected global universities we are delivering an increasing number of activities in support of internationalisation, including joint PhDs and staff secondments.

Performance measures	Progress/activity
Increase our number of non-EU students to 2,650 FTE by 2020	Whilst the market is highly competitive, our international student population has grown significantly over the period of the Strategic Plan. In 2018 there were 2,620 FTE non-EU students registered at Strathclyde, which is well ahead of the annual milestone (2,444) required to meet the target by 2020.
Monitor the proportion of non-EU students from beyond our five most well-represented countries	In 2018 the five largest sending countries accounted for 48% of this population as compared to 59% in 2012 when this diversity-focused KPI was first adopted by the University in order to complement considerations of non-EU student growth.
Monitor the proportion of our academic professional staff who are international	Just as our student population becomes more internationally diverse, so too does our staff body with 36% being international compared to 31% in 2012.

### Risks

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

## OPERATIONAL EXCELLENCE

### Strategic context

Ensuring that we operate in the most effective and efficient way is vital to maximising the impact of the funding we receive. Efficiency and effectiveness represent a key area of focus for our funders with year-on-year efficiency gains specified in our teaching funding from the SFC and annual efficiency returns required by the Scottish Government. In this context, maximising the efficiency of the investments in our estate, our people and our systems is critical in order to create sufficient headroom for continued growth and investment.

Performance measures	Progress/activity
Submit for the silver Athena SWAN Institutional Award by 31 July 2020	The University successfully renewed its Bronze award in 2018. The total number of departmental Athena SWAN awards is 12 (1 Silver, 11 Bronze) and we are awaiting results of two new Departmental applications.
Achieve an operating surplus annually of between 3-5%	Changes to financial reporting introduced in 2015/16, following the implementation of Financial Reporting Standard 102 (FRS 102) and Statement of Recommended Practice (SORP 2015), have resulted in greater volatility in surpluses/deficits. As a result, the University has replaced this performance measure with a new measure that offers a clearer focus on financial sustainability. An increase in cash generated from operations of £3 million p.a. is targeted. 2017/18 is the baseline year for this refreshed KPI.
Reduce our carbon emissions by 25% by 2020	In 2018 the University's carbon emissions were 22,026 tonnes CO <sub>2</sub> e, compared to 25,363 tonnes CO <sub>2</sub> e in 2017. Work to install a Combined Heat and Power District Energy Network began during 2017: the network is now in the commissioning stage. The first full year of savings will be 2019/20, and the network will be a key contributor to the University's carbon reduction strategy into the long-term.

### Risks

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



### **Disability policy**

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

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

### **Equality and diversity policy**

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

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

## FINANCIAL REVIEW

	2018	2018	2018	2017	2017	2017
	Operating	Other	Total	Operating	Other	Total
	activities	significant		activities	significant	
	£M	items	£M	£M	items	£M
	£M	£M	£M	£M	£M	£M
<b>Summary Income and Expenditure</b>						
Income (excl capital grants)	296.5	-	296.5	282.1	-	282.1
Capital grant income	7.9	-	7.9	13.8	-	13.8
<b>Total Income</b>	<b>304.4</b>	<b>-</b>	<b>304.4</b>	<b>295.9</b>	<b>-</b>	<b>295.9</b>
Expenditure (incl depreciation)	(300.3)	(3.7)	(304.0)	(288.1)	(3.7)	(291.8)
<b>Surplus before other gains and losses</b>	<b>4.1</b>	<b>(3.7)</b>	<b>0.4</b>	<b>7.8</b>	<b>(3.7)</b>	<b>4.1</b>
Gains on disposal of fixed assets	-	1.4	1.4	-	-	-
Gains on investments	-	2.6	2.6	-	3.3	3.3
Unrealised surplus on revaluation of investment properties	-	0.2	0.2	-	-	-
<b>Surplus for the year</b>	<b>4.1</b>	<b>0.5</b>	<b>4.6</b>	<b>7.8</b>	<b>(0.4)</b>	<b>7.4</b>
<b>Cash generated from operations</b>			<b>16.9</b>			<b>34.6</b>
<b>Cash and borrowings</b>						
Cash and cash equivalents			109.9			136.1
Loans			(88.3)			(91.8)
			21.6			44.3
<b>Total assets less current liabilities</b>			<b>475.4</b>			<b>472.6</b>
<b>Total reserves</b>			<b>351.4</b>			<b>324.7</b>



### Overview

The University anticipated that 2018 would be more challenging in financial terms as a result of reduced capital grant funding, real term reductions in sector recurrent grant allocations at the same time as continuing staffing cost pressures. In this context, it is encouraging that the University passed a significant milestone in 2018, with total income exceeding £300 million for the first time.

The University generated a surplus, before significant items not influenced by day-to-day operations, of £4.1 million (2017 £7.8 million).

Under FRS 102 financial reporting requirements there is greater volatility in financial outturns, most notably as a result of:

- The recognition of capital grants in income when the University is entitled to the funds as performance-related conditions are met. Previously such grants were deferred and then released over the life of the underlying asset.
- The need to make provision for the estimated cost of the deficit recovery plan for the Universities Superannuation Scheme (USS) with year-on-year changes to the University's liability arising from changes in discount rates and other actuarial assumptions.
- Unrealised gains and losses in the market value of investments now being recognised through the Statement of Comprehensive Income and Expenditure.

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

The University has grown total income by £8.5 million to £304.4 million. Income, excluding capital grants, has grown by £14.4 million to £296.5 million (2017 £282.1 million).

## FINANCIAL REVIEW CONTINUED

### Other significant items

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

<b>Capital grant income</b>	Capital grant income has fallen from £13.8 million to £7.9 million this year. Revenue and capital grants are recognised in full once performance conditions are met, resulting in variability in capital grant income year-on-year. The reduction is largely in respect of SFC capital grants, which have decreased by £3.7 million. This reduction is explained below.
<b>Gains on disposal of fixed assets</b>	A gain on disposal of fixed assets totalling £1.4 million arose following the disposal of residential accommodation. There were no significant tangible fixed asset disposals in 2017.
<b>Gains on investments</b>	Unrealised gains on the University's investments are now reflected within the Statement of Comprehensive Income and Expenditure. The total gain on investments is £2.6 million in 2018 (2017 £3.3 million). Gains in 2017 included £1.0 million from the disposal of spin-out investments.
<b>Unrealised surplus on revaluation of investment property</b>	A gain of £0.2 million arose on the revaluation of investment property, which was acquired during the year.
<b>Restructuring costs</b>	During the year, the University incurred £2.4 million (2017 £1.3 million) of one-off costs restructuring a number of its Departments and Schools. These costs are reflected within salary costs.
<b>Project expenditure</b>	In 2018 the University incurred £0.8 million of expenditure (£0.6 million salary and £0.2 million other operating expenses) on the development of a new Student Information Management System (2017 £3.4 million - £1.7 million salary costs and £1.7 million other operating expenses).
<b>USS pension deficit provision adjustments</b>	Charges associated with the deficit in the Universities Superannuation Scheme (USS). The University's commitment to fund the deficit recovery contributions are now reflected in the Financial Statements as a liability. The adjustment in 2018 was a charge against salaries of £0.5 million (2017 credit of £1.0 million).

The 2017 USS triennial valuation has been undertaken but is not yet concluded. Whilst various announcements as regards contribution levels have been made by the USS trustees, these are still subject to consultation and agreement. This includes the level of deficit contributions. It is highly likely that the year-end provision as calculated will not reflect the position following the outcome of negotiations, potentially by a very significant amount depending upon what is finally agreed as regards future deficit contributions and their duration.

FINANCIAL REVIEW CONTINUED

Other factors impacting Total Comprehensive Income

Actuarial gain in respect of the pension scheme

The Total Comprehensive Income for the year of £26.8 million (2017 £16.7 million) on page 40 is after reflecting an actuarial gain of £22.2 million (2017 £9.3 million) in respect of the Strathclyde Pension Fund. Details of this gain are outlined in Note 23.

Balance Sheet overview

Investment in estate

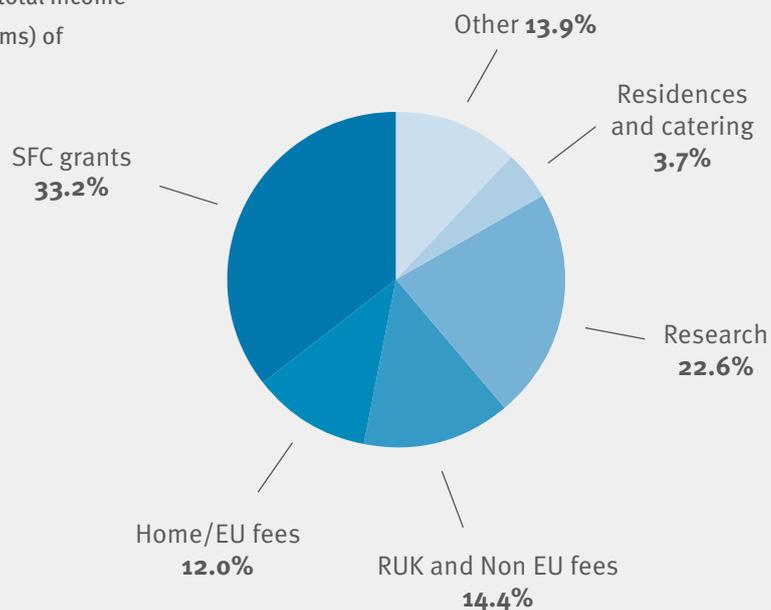
Investment in the University estate in 2018 totalled £46.5 million. Further details are provided in ‘Investments in Infrastructure’ below. Notwithstanding capital investment totalling over £330 million in the past 10 years, the University’s cash less borrowings totalled £21.6 million at the year end.

Improvement in total assets

The continued strength of the University’s Balance Sheet can be seen from the improvement in total assets less current liabilities, which rose by 0.6% to £475.4 million, and in total reserves, which increased by 8.2% to £351.4 million. With cash balances of £109.9 million (2017 £136.1 million), the University remains well placed in terms of financial health to continue its planned programme of investments in pursuit of its strategic goals.

Income

Chart showing composition of total income (excluding other significant items) of £304.4 million.



## FINANCIAL REVIEW CONTINUED Income continued

Income, excluding capital grants, has risen by £14.4 million to £296.5 million, an increase of 5.1%.

Key movements include:

**SFC Grants down  
£3.2 million (3.0%)**

Income from SFC grants totalled £101.2 million (2017 £104.3 million). Whilst recurrent grant income increased by £1.3 million and ringfenced grants from the Scottish Government increased by £0.6 million, capital grant income and strategic funding were £3.7 million and £1.4 million lower than 2017.

The unit of resource for teaching and sector recurrent funding for research and innovation were held at 2017 levels. The £0.3 million increase in Strathclyde's main teaching grant is attributable to additional funded places.

Strathclyde's allocation of the overall funding for research and innovation increased from 8.4% to 8.7%, largely due to an increase in Research Excellence Grant funding. The University has benefited financially from its performance in the UK Research Excellence Framework 2014 (REF 2014). SFC is phasing in financial impact of the REF results over three transitional years and the benefit to Strathclyde in 2018 (the third transitional year) was an increase of £0.6 million.

Capital grant income in 2017 included two items where there was no equivalent income in 2018 - some £2.3 million of non-recurring additional capital funding for universities for the upgrade and maintenance of university estates and research infrastructure and £1.5 million of project-specific capital grants.

The decrease in strategic grant income reflects the conclusion of funding for Fraunhofer and the Marine Alliance for Science & Technology for Scotland (MASTS) along with reduced income in the year for the Industrial Biotechnology Innovation Centre (IBiolC).

**Tuition fee income up  
£5.0 million (5.6%)**

Income from credit bearing courses has risen by £4.4 million. Income from Scottish students increased by £2.4 million, EU students by £0.5 million, RUK students by £0.9 million and non-EU students by £0.6 million. Non-credit bearing course fees have increased by £1.6 million. These increases were offset by a reduction in other contract income.

**Research income up  
5.0% to £68.9 million**

The University has benefited from its investments in strategic staffing and research infrastructure, with research income increasing by £3.3 million compared to last year. Whilst capital grant income decreased by £2.4 million to £3.7 million, underlying research income grew by 9.5% to £65.2 million. There has been growth in a number of categories of research income in 2018, with the most notable increases arising from Research Councils and UK Industry.

## FINANCIAL REVIEW CONTINUED Expenditure

Expenditure before one-off items has risen by £12.2 million to £300.3 million, an increase of 4.2%.

Key movements include:

**Underlying salary costs up £10.5 million (6.5%)**

Underlying salary costs have increased by £10.5 million to £172.9 million. Increases in salaries are primarily attributable to nationally-negotiated pay awards, higher expenditure on staff funded by research and knowledge exchange contracts and investment in strategic staffing appointments.

In addition, there have been further increases in social security and pension costs, which have increased at a higher rate than underlying wages and salaries due to the full year impact of the Apprenticeship Levy (£0.4 million) and an increase of £0.7 million in the current service cost in respect of the Strathclyde Pension Fund from £3.8 million to £4.5 million.

In addition to these increases, salary costs were also impacted by the restructuring costs, project expenditure and the USS deficit provision movement explained above.

**Other operating expenses up £1.3 million (1.3%)**

Other operating expenses before one-off items have increased by 1.3% to £97.2 million. Higher expenditure on research grants and contracts, knowledge exchange and premises is offset by a reduction in residences expenditure following a decision not to renew nominations agreements with third party residence providers in 2018.

**Depreciation and amortisation up £0.7 million (2.5%)**

The increase in depreciation and amortisation costs from £26.8 million to £27.5 million is attributable to buildings depreciation, equipment depreciation and amortisation being £0.3 million, £0.2 million and £0.2 million higher respectively following investments in infrastructure.

## FINANCIAL REVIEW CONTINUED

### Investments in infrastructure

In the past 10 years, we have invested over £330 million in transforming our estate. This has included new buildings such as the Centre for Sports Health and Wellbeing, the Inovo Building, the Strathclyde Institute of Pharmacy and Biomedical Sciences building, the Technology and Innovation Centre, the Advanced Forming Research Centre, the Power Networks Demonstration Centre and the John Anderson extension, all of which have added to the estate, and provided modern fit-for-purpose teaching and research accommodation.

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

Our ability to deliver this ambitious programme is contingent on our continued operational performance and the achievement of improvements in cash generated from operations.

#### Capital investment in investment properties, land and buildings in 2018 totalled £46.5 million – major projects included:

##### Centre for sports, health and wellbeing

The University's investment in a state-of-the-art sports and health facility confirms its commitment to the student experience and places health and wellbeing at the heart of Strathclyde's future direction. At a cost of £31 million, it will provide leading-edge facilities where sporting excellence can thrive, side-by-side with exercise and recreational sport. The distinctive new building will deliver a combination of wet and dry sports facilities and academic facilities. This will provide a step change in the quality and range of facilities and activities provided by the University and will therefore significantly enhance the student experience, as well as helping to attract new students to the University.

Construction commenced on site in November 2016 and the building opened for business on 17 September 2018. Capital additions to this facility totalled £17.1 million in 2018.

##### Combined heat and power and district energy network

Work is nearing completion on the installation of a state-of-the-art district energy system including a combined heat and power (CHP) engine, which will revolutionise the campus' energy production and efficiency, significantly cutting carbon emissions.

CHP technology will allow us to generate part of our electricity needs on site. The heat derived from the generation process will be used to heat the campus through a district heating network. This is a £20 million project, partly funded by a grant of £8 million from the Scottish Funding Council.

The project will be completed in late 2018. Costs incurred during the year totalled £10.2 million.

## FINANCIAL REVIEW CONTINUED Investments in infrastructure continued

### Teaching and learning hub

Strathclyde students are set to benefit from a new £60 million teaching and learning hub at the heart of campus. This flagship facility will incorporate leading edge teaching accommodation, flexible learning spaces, catering facilities and a new home for student support services and the Students' Union.

The project, which represents Strathclyde's biggest single investment in an estates project to date, will become a beacon for teaching and learning excellence. The new facility brings together the former Architecture and Colville buildings, placing student-facing services at the centre of the campus, and enabling new modes of teaching for the digital age.

Construction works will start on site in October 2018 for completion in Summer 2020. Costs incurred during the year totalled £2.5 million.

### Inovo building

On 31 January 2018 the University purchased the Inovo Building from Scottish Enterprise for a price of £10.5 million excluding VAT. The purchase is central to the University's desire to develop the Glasgow City Innovation District, which is seen as one of the key drivers to maintaining the University's reputation as a leader in innovation and to deliver further increases in research income.

Inovo provides accommodation for a range of Innovation Centres and companies working in energy and enabling technologies, areas where Strathclyde has an excellent research and innovation reputation.

In addition to third party tenants, the building is occupied in part by two University Innovation Centres – Digital Health & Care Institute (DHI), and the Industrial Biotechnology Innovation Centre (IBioIC).

Some £9.6 million of the total cost of the building (£10.8 million), relating to space occupied by third party tenants, is included within investment properties and the balance relating to University occupation (£1.2 million) is included within freehold buildings.

The investment property element of the building was revalued as at 31 July 2018 by Savills (UK) Limited, Chartered Surveyors. An unrealised surplus on revaluation of the investment property (£0.2 million) was recognised following this revaluation.

## FINANCIAL REVIEW CONTINUED

### Net funds and cash flow

At 31 July 2018 net funds totalled £21.6 million (2017 £44.3 million). Whilst £16.9 million of cash was generated from operations, expenditure on tangible and intangible assets (net of capital grants received) totalled £43.0 million. Further details on cash flow movements are given in the Statement of Cash Flows.

### Treasury Management

The University has a £90.0 million loan from the European Investment Bank which has provided funding for a range of capital developments including the Technology and Innovation Centre and the new Centre for Sports, Health and Wellbeing.

Court considers future borrowing requirements during the annual planning process when rolling three-year forecasts are prepared. These reflect the anticipated cash position of the University taking account of forecast operating performance and completion of the projects set out in the 'Investments in Infrastructure' section above. They also take account of the need to finance planned developments within our estates strategy, including the new Teaching and Learning hub and the refurbishment of the Wolfson Building for the Department of Biomedical Engineering, and consider future opportunities.

The University actively manages its cash balances in accordance with the Treasury Management Code of Practice approved by Court. Credit ratings of approved counter-parties and deposit limits are reviewed regularly. Funds are deposited in a variety of Treasury accounts, ranging from overnight to six month deposits.



## FINANCIAL REVIEW CONTINUED

### Payment of Creditors

The University aims to pay all of its suppliers promptly and its financial systems and processes are configured to facilitate this. The University's current terms of payment are 30 days from the date of the invoice providing that all trading terms and conditions have been fulfilled. Specific terms and conditions can be agreed for certain suppliers if required.

At the year end, the University had trade creditors outstanding of £9.3 million. Given that the University paid a total of £111.6 million to trade creditors during the year, the amount outstanding at the year end represents 30 days (2017 28 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 ongoing uncertainty around the UK's planned withdrawal from the European Union has potentially significant implications for the Higher Education Sector. The University continues to seek clarity on potential ramifications, and is working hard to minimise any adverse impact on staff and students, and to maximise any opportunities that might result from the UK's departure from the EU.

Our financial focus over the next few years will continue to be on increasing the level of surplus generated from operating activities in order to generate cash for future investment and to meet ongoing cost pressures, particularly in respect of staffing. With expected continuing pressures on public funding, increasing the level of non-governmental income remains a key priority, particularly by securing significant additional fee income from international students.

The investments the University has made over recent years in staffing and infrastructure both support our focus on delivering our strategic goals for 2020 and provide the platform for our next phase of activity as we seek to define our ambitions for 2025. The opening of the new Strathclyde Sport facility in September 2018 has been welcomed by staff and students, and, together with the new £60 million Teaching and Learning hub due to open in 2020, will help us deliver the first-class experience our growing student population expects as we accelerate our progress as a leading international technological university.

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**G Hastings**

**Treasurer**

29 November 2018

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**R H Darby**

**Acting Chief Financial Officer**

29 November 2018

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# Statement of Corporate Governance and Internal Control

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## INTRODUCTION

The University's corporate governance arrangements are informed by best practice and by the Scottish Code of Good Higher Education Governance. Throughout 2017/18, the University complied with the main principles of the 2013 Scottish Code of Good Higher Education Governance. Following the conclusion of an externally-facilitated effectiveness review in August 2017, the University also implemented a number of recommendations to enhance the effectiveness of its governance practices and processes.

During 2017/18, the University undertook the necessary steps to ensure timely compliance with the revised Scottish Code of Good Higher Education Governance, issued in late 2017. Furthermore, the University continued to make preparations for implementation of the Higher Education Governance (Scotland) Act 2016 and will bring forward the necessary amendments to its Charter and Statutes during 2018/19, subject to the approval of the Privy Council, to ensure that compliance is achieved within the specified transitional period.

## University governance and Court

The University of Strathclyde was established by Royal Charter in 1964. This document sets out the powers and functions of the University and makes specific provision for two major bodies within the University's governance structure: Court and Senate.

Under the terms of the University Charter and Statutes, Court is the Supreme 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.

The Court is comprised of twenty-four members drawn from the University's external and internal communities, a majority of whom are co-opted lay members (i.e. members appointed by the Court itself who are neither staff nor students of the University). Membership also includes academic and professional services staff, two Students' Association representatives, a representative appointed by Glasgow City Council, the Principal, and Vice-Principal.

During 2017/18, Court considered and agreed future changes to its own size and composition in response to the Higher Education Governance (Scotland) Act 2016. In addition to meeting statutory requirements on membership, the agreed changes, to be enacted no later than 1 August 2020, will strengthen the current lay majority and maintain the overall size of Court within best practice limits, whilst maintaining the coherence and effectiveness of the governing body and ensuring an appropriate range of skills and experience.

In addition to the members of Court and the University Secretary, members of the University Executive Team were invited to attend meetings during 2017/18. This includes: The Chief Financial Officer, the Chief Commercial Officer, the two Associate Principals, the four Executive Deans, the Director of Strategy and Policy, and the Director of Human Resources. The Head of Governance and Public Policy, who acts as Clerk to Court, is also in attendance at all meetings.



An induction session for new members of Court was held in August 2017 and other training and development opportunities were made available to all Court members as appropriate throughout the year. This included an opportunity for Court members to attend and complete the ‘Leading Safely’ training course, developed by the Institute of Occupational Safety and Health (IOSH).

Court and its members are committed to upholding the Nine Principles of Public Life in Scotland (which incorporate the original seven “Nolan Principles”). 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 its members and relevant senior officers which is publicly available for inspection on the University’s website.

Court met on four occasions during 2017/18<sup>1</sup> and, between meetings, members were also kept informed by electronic means of any significant issues affecting the University. Court consults with Senate on any decisions affecting academic matters, and as required by the University Statutes. Much of its detailed work is initially handled by several standing committees of Court, including a Remuneration Committee, a Court Business Group, a Court Membership Group, an Audit and Risk Committee, an Enterprise and Investment Committee,

and a Statutory Advisory Committee on Safety & Occupational Health. 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.

In addition, the University has a range of Strategic and Compliance Committees which oversee strategic delivery in key areas of activity and report to Court or Executive Team, as required. These include an Estates Committee and a Staff Committee, both of which include Court members within their membership.

Court has overall responsibility for approving the University’s Strategic Plan and monitoring its delivery. It was actively engaged in the development of the University’s current Strategic Plan, which was adopted by the Court on 24 June 2015 and covers the period 2015-2020. There are in place a range of financial and non-financial Key Performance Indicators related to the University’s strategic objectives and performance information is provided regularly to Court. A detailed schedule is in place to ensure that the main strands of University strategy are reviewed annually and in a consistent manner. In particular, there is at least one annual strategic meeting which is used to assess organisational performance against strategy.

<sup>1</sup> A fifth meeting, scheduled for 1 March 2018, was cancelled due to adverse weather and a number of necessary Court approvals were subsequently obtained via correspondence.

### Delegation of authority

It is not practical for Court to make every decision that is required within the University and it has therefore agreed to delegate authority for certain decisions and certain areas of responsibility to appropriate individuals and committees, which are accountable to the University Court for exercising this authority. Court retains ultimate accountability and corporate responsibility for any decisions made on its behalf.

The range of authority delegated by Court to its committees, the University Senate, and the University's management, is detailed within the Court's Schedule of Delegated Authority, which is published on the University website.

### Review of effectiveness

During 2017, the University Court initiated and completed a comprehensive and externally facilitated review of its effectiveness. In addition to ensuring compliance with the requirements of the Scottish Code, this review provided an opportunity for Court and its committees to reflect upon and consider potential enhancements to their effectiveness and efficiency. In September 2017, the Court approved a number of recommendations arising from the review and these were implemented over the course of 2017/18.

### Statement of compliance with the Scottish Code of Good Higher Education Governance

A revised Scottish Code of Good Higher Education Governance was published in 2017 which replaced the 2013 Scottish Code of Good Higher Education Governance. Academic year 2017/18 is considered a transitional year for compliance with the 2017 Code.

In the opinion of Court, the University of Strathclyde complies with all the principles and provisions of the 2013 Code of Good Higher Education Governance and is still working to ensure compliance with the 2017 Code. Areas of the 2017 Code where there remains noncompliance are:

- Paragraph 26: *Institution's rules must not preclude membership of any of the governing body's standing committees on the basis of the category of governing body member (in the sense of who elected or appointed that member).*

The University has taken steps to review its rules on committee membership. However, University Statute 2.4 precludes Court from delegating certain powers to a committee containing a student, including the power to determine the remuneration of officers, members of the academic staff and other employees of the University. Changes to University Statutes require the approval of the Privy Council and this will be addressed as part of wider changes to the University's governing instruments which are required to ensure compliance with the Higher Education Governance (Scotland) Act 2016, by December 2020.

- Paragraph 43: *In addition to normal meetings of the governing body, the Institution is expected to hold an annual stakeholder meeting in public, at which representatives of the governing body, including the Principal, are expected to give an account of the institution's performance and should be available to answer questions.*

The University has scheduled its first such meeting to take place during 2018/19 and expects to be fully compliant with this aspect of the Code by March 2019.

## Committee Structure

The University's high-level committee structure provides clarity around the decision-making process and ensures the appropriate flow of information to Court. Each of the committees below is formally constituted with terms of reference and conducts its business through regular meetings.

### Standing Committees of Court

<b>Court Business Group</b>	The Court Business Group's role is to review the substantive business coming forward to Court in order to ensure that Court receives the information it needs to take clear, effective decisions. It also considers strategic and financial matters on behalf of Court.
<b>Court Membership Group</b>	The Court Membership Group's role is to consider and make recommendations to Court on the appointment of co-opted members of Court and its committees, as vacancies arise.
<b>Remuneration Committee</b>	The Remuneration Committee advises Court and oversees the preparation of policies in respect of remuneration and conditions of service (including severance arrangements) for the University's senior management including the Principal and keeps these under review. It meets at least once annually.

During 2017/18, in response to recommendations arising from the Court's externally-facilitated review of effectiveness and the requirements of the 2017 Scottish Code of Good HE Governance, the University Court reviewed the membership, terms of reference and operation of the Remuneration Committee. It also reviewed and amended the University's Contribution Related Pay Policy: Remuneration Committee, which details the arrangements to be applied when considering the remuneration of the Principal and other senior officers. During this process it was confirmed that:

- Remuneration Committee's decision-making is informed and guided by a number of underpinning principles, approved by Court;
- Appropriate arrangements are in place for seeking the views of key University stakeholders (including student, staff and trade union representatives) in relation to the remuneration of the Principal and other senior officers;
- Membership of the Remuneration Committee is not determined entirely on an ex officio basis, but that appointments are made on the basis of particular skills and experience and that the terms of reference do not preclude the appointment of nonlay members of Court<sup>2</sup>; and
- The Principal is not a member of the Remuneration Committee but attends meetings at the invitation of the Chair in order to inform discussions on the remuneration and conditions of service of other senior officers. The Principal does not attend when his or her own remuneration and/or conditions of service are considered or determined.

<sup>2</sup> As noted above, University Statute 2.4 currently precludes Court from delegating certain powers to a committee containing a student, including the power to determine the remuneration of staff. This will be addressed as part of wider changes to the University's governing instruments, which will require Privy Council approval.

**Committee Structure continued**

**Standing Committees of Court continued**

<b>Audit and Risk Committee</b>	The Audit and Risk Committee’s role is to review the effectiveness of the University’s corporate governance arrangements, financial systems, internal control environment and risk management arrangements and provide appropriate assurance to Court on these areas.
<b>Enterprise and Investment Committee</b>	The Enterprise and Investment Committee’s role is to review commercial investment proposals and make recommendations on investments in companies created by the University’s staff and students, as well as license deals and other commercial joint ventures.
<b>Statutory Advisory Committee on Safety and Occupational Health</b>	The Statutory Advisory Committee on Safety and Occupational Health’s role is to monitor and report to Court on the delivery of the University’s Occupational Health, Safety and Wellbeing Strategy.

**Strategic and Compliance Committees**

<b>Estates Committee</b>	The Estates Committee is responsible for strategic oversight of the University estates strategy and ensuring that it is consistent with the overall University strategy. It provides appropriate assurance to Court and the Executive Team on these matters.
<b>Staff Committee</b>	The Staff Committee is responsible for the strategic oversight of strategy and policy in relation to staffing matters and for monitoring compliance with all relevant legislation. It provides appropriate assurance to Court and the Executive Team on these matters.
<b>Information Strategy Committee</b>	The Information Strategy Committee is responsible for all matters of corporate information strategy and for the strategic deployment of all information resources. It provides appropriate assurance to the Executive Team on these matters.
<b>Research and Knowledge Exchange Committee</b>	The Research and Knowledge Exchange Committee is responsible for oversight of strategy and policy in the area of research, knowledge exchange, and innovation. It provides appropriate assurance to Senate and the Executive Team on these matters.
<b>Education Strategy Committee</b>	The Education Strategy Committee is responsible for developing and monitoring the University’s strategy for learning, teaching and assessment and the enhancement of the Student Experience. It provides appropriate assurance to Senate and the Executive Team on these matters.

## Committee Structure continued

### Strategic and Compliance Committees continued

<b>Quality Assurance Committee</b>	The Quality Assurance Committee is responsible for the quality assurance of the University's academic provision and of the academic standards of its awards. It provides appropriate assurance to Senate, through the Education Strategy Committee.
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### Executive Team

The Executive Team is chaired by the Principal and acts as a forum for discussion and decision-making on major initiatives and issues for the University. Where appropriate, it makes recommendations to Senate and Court for approval. Membership includes the major budget holders within the University and key senior staff who advise the Principal on senior management decisions, particularly on the allocation of resource to Faculties and Professional Services. Its members are responsible and accountable for all components of the University's budget, both income and expenditure. As such, it plays an important part in the internal governance and academic operations of the University, and brings together the academic, financial, and human resource aspects of planning. It is responsible for managing the University's performance and for assisting the Principal in the delivery of the University's Strategy.

### Risk management

The University views risk management as integral to the successful execution of its Strategic Plan. There is an established business process for identifying, evaluating and managing the University's significant risks which complies with the Financial Reporting Council's "Internal Control: Guidance for Directors", (formerly the Turnbull Committee Guidance) as far as it is applicable to higher education institutions. Risk registers are produced at Department and Directorate level and these are regularly reviewed and managed by the appropriate areas with regular reports being made from one level to the next in the committee structure.

At each stage the identified risks are evaluated and distilled, leading to the production of the Corporate Risk Register, incorporating the University's top risks, which is reviewed and managed by the Executive Team. The information is also used to inform the strategic planning process. A Risk Group, chaired by the University Secretary & Compliance Officer, is responsible for supporting and advising the Executive Team and, through it, the Audit and Risk Committee and Court on the implementation and monitoring of the risk framework.

During 2017/18, the Corporate Risk Register was reviewed by Court at its September 2017 and June 2018 meetings, to enable Court to carry out its periodic assessment which also takes into account reports from its various committees and events that have occurred since 31 July 2017. The Audit and Risk Committee's role in this area is one of a high-level review of the arrangements for internal control, providing assurance in this area to Court. The emphasis is on obtaining the relevant degree of assurance and not merely reporting by exception.

### **Statement of internal control**

As part of its primary responsibilities, Court is responsible for the University's system of internal control and for reviewing its effectiveness. Such a system is designed to manage rather than eliminate the risk of failure to achieve business objectives and can only provide reasonable and not absolute assurance against material misstatement or loss.

Court keeps issues of control and risk under review and receives relevant reports from both the Executive Team and the Audit and Risk Committee. This includes reviewing quarterly Business Reports, which provide information on financial performance, receiving mid-year and annual progress reports on performance against the University's Key Performance Indicators, and reviewing mitigating actions and the selection of top risks within the Corporate Risk Register.

The Audit and Risk Committee, on behalf of Court, has reviewed the adequacy and effectiveness of the University's system of internal control and risk management and is satisfied with the University's arrangements in that regard.

### **Going concern**

The University has adequate financial resources and its current forecasts and projections show it to be well placed to manage its activities successfully, having taken account of any risks and uncertainties highlighted in the Annual Report and Financial Statements.

The University's activities and the factors likely to affect its future development, performance and position are set out in the Strategic Report. Its financial performance for the year to 31 July 2018, income and expenditure, assets, liquidity and cash flows are set out in more detail in the Strategic Report and Notes to the Financial Statements.

Court considers that the University has adequate resources to continue in operation for the next 12 months and for this reason the going concern basis continues to be adopted when preparing the Financial Statements.

### **Conclusion**

Based on the above noted process, Court is of the view that there were adequate and effective internal controls in place and that there was an adequate and effective process for identifying, evaluating and managing the University's significant risks during the year ended 31 July 2018 and up to the date of signing the Annual Report and Financial Statements.

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**G Hastings**

**Treasurer**

29 November 2018

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# Statement of Primary Responsibilities of the University Court

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## General

Under the terms of the University Charter, Court is the Governing Body of the University and is responsible for overseeing the management and administration of the whole of the revenue and property of the University. Court exercises general control over the University and all its affairs, purposes and functions, taking all final decisions on matters of fundamental concern to the University. Court is responsible for safeguarding the University's good name and values.

## Audited Financial Statements

Court is required to present audited Financial Statements for each financial year. It is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the University and which enable Court to ensure that the Financial Statements are prepared in accordance with the University's Charter, the Statement of Recommended Practice: Accounting for Further and Higher Education and other relevant accounting standards.

In addition, within the terms and conditions of a Financial Memorandum agreed between the Scottish Funding Council and Court, Court, through its Accounting Officer, is required to prepare Financial Statements for each financial year which give a true and fair view of the state of affairs of the University and of the surplus or deficit and cash flows for that year. The Principal is the University's Accounting Officer who is responsible for satisfying Court that there is compliance with the conditions of the Financial Memorandum.

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

- suitable accounting policies are selected and applied consistently
- judgements and estimates that are made are reasonable and prudent

- applicable accounting standards have been followed, subject to any material departures disclosed and explained in the Financial Statements
- the going concern basis is applied unless it is inappropriate to presume that the University will continue in operation.

Court has taken reasonable steps to:

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

Court's Primary Responsibilities, as approved by the University Court and in operation during 2017/18, are detailed as follows:

#### **Staff and students**

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

#### **Financial responsibilities**

- To ensure the solvency of the University and to safeguard its assets;
- To act as trustee for any property, legacy endowment, bequest or gift in support of the work and welfare of the institution;
- To approve the University's annual Financial Statements;
- To ensure that proper books of accounts are kept in accordance with all relevant regulations and codes of conduct;

- To ensure the proper use of public funds awarded to the University and to ensure that the terms of the Financial Memorandum with the Funding Council are observed;
- To approve the main annual budgets within the University;
- To ensure appropriate arrangements for the economic, efficient and effective management of the University's resources and expenditure;

#### **Strategic responsibilities**

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



### Controls

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

### Monitoring performance and effectiveness

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

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

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We have audited the financial statements of the University of Strathclyde (the University) for the year ended 31 July 2018 which comprise the Statement of Principal Accounting Policies, Statement of Comprehensive Income and Expenditure, Statement of Changes in Reserves, Balance Sheet, Statement of Cash Flows and the related notes 1 to 27. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the University's state of affairs as at 31 July 2018 and of the income and expenditure, recognised gains and losses, and the University's cash flows for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice;
- have been properly prepared in accordance with the Statement of Recommended Practice: Accounting for Further and Higher Education, and relevant legislation; and
- have been prepared in accordance with the requirements of the Charities and Trustee Investment (Scotland) Act 2005 and regulation 14 of the Charities Accounts (Scotland) Regulations 2006.

## Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report below. We are independent of the University in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the University Court's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the University Court have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the University's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

## Other information

The other information comprises the information included in the Principal's report, the Strategic report, and the Statement of Governance and Internal Control, set out on pages 1 to 30, other than the financial statements and our auditor's report thereon. The University Court is responsible for the other information.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

#### **Opinion on other matters prescribed by the Scottish Funding Council's Financial Memorandum with Universities**

In our opinion, based on the work undertaken in the course of the audit, in all material respects:

- the Scottish Funding Council's Accounts Direction has been met;
- funds from whatever source administered by the University for specific purposes have been applied properly to those purposes and, if relevant, managed in accordance with relevant legislation, and any other terms and conditions attached to them; and
- funds provided by Scottish Funding Council have been applied in accordance with the requirements of the Scottish Funding Council Financial Memorandum with Universities.

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

We have nothing to report in respect of the following matters where the Charity Accounts (Scotland) Regulations 2006 (as amended) requires us to report to you if, in our opinion:

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

### Responsibilities of the University Court

As explained more fully in the Statement of Primary Responsibilities of the University Court set out on pages 32 to 35, the University Court is responsible for the preparation of the Financial Statements and for being satisfied that they give a true and fair view, and for such internal control as the University Court determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the University Court is responsible for assessing the University's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the University Court either intend to liquidate the University or to cease operations, or have no realistic alternative but to do so.

### Auditor's responsibilities for the audit of the Financial Statements

We have been appointed as auditor under section 44(1)(c) of the Charities and Trustee Investment (Scotland) Act 2005 and report in accordance with the Acts and relevant regulations made or having effect thereunder.

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

### Use of our report

This report is made solely to the University Court of the University of Strathclyde, as a body, in accordance with regulation 10 of the Charities Accounts (Scotland) Regulations 2006 (as amended). Our audit work has been undertaken so that we might state to the University Court those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the University of Strathclyde and the University Court as a body, for our audit work, for this report, or for the opinions we have formed.

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**Statutory Auditor**  
**Glasgow**

30 November 2018

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

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The maintenance and integrity of the University of Strathclyde web site is the responsibility of the University Court; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the web site.

Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.



# Statement of Comprehensive Income and Expenditure

for the year ended 31 July 2018

	Note	2018 £000	2017 £000
<b>Income</b>			
Funding Council grants	2	101,168	104,330
Tuition fees and education contracts	3	94,755	89,717
Research grants and contracts	4	68,898	65,624
Other income	5	36,242	32,601
Investment income	6	1,662	1,585
Donations and endowments	7	1,689	2,008
<b>Total income</b>		<b>304,414</b>	<b>295,865</b>
<b>Expenditure</b>			
Staff costs	8	176,353	164,441
Other operating expenses	10	97,415	97,632
Depreciation and amortisation	10	27,506	26,833
Interest and other finance costs	9	2,758	2,856
<b>Total expenditure</b>	<b>10</b>	<b>304,032</b>	<b>291,762</b>
<b>Surplus before other gains and losses</b>		<b>382</b>	<b>4,103</b>
Gain on disposal of fixed assets	11	1,393	20
Gain on investments	11	2,577	3,258
Unrealised surplus on revaluation of investment properties	11	228	-
<b>Surplus for the year</b>		<b>4,580</b>	<b>7,381</b>
Actuarial gain in respect of pension scheme	23	22,180	9,295
<b>Total comprehensive income for the year</b>		<b>26,760</b>	<b>16,676</b>
<b>Represented by:</b>			
Endowment comprehensive income for the year		1,980	2,232
Unrestricted comprehensive income for the year		24,780	14,444
		<b>26,760</b>	<b>16,676</b>

All income and expenditure of the University relates to continuing operations.

# Statement of Changes in Reserves

for the year ended 31 July 2018

	Income and Expenditure Account		Total
	Endowment £000	Unrestricted £000	£000
<b>Balance at 1 August 2016</b>	<b>30,860</b>	<b>277,127</b>	<b>307,987</b>
Surplus from the income and expenditure statement	2,232	5,149	7,381
Actuarial gain in respect of pension scheme	-	9,295	9,295
<b>Total comprehensive income for the year</b>	<b>2,232</b>	<b>14,444</b>	<b>16,676</b>
<b>Balance at 31 July 2017</b>	<b>33,092</b>	<b>291,571</b>	<b>324,663</b>
Surplus from the income and expenditure statement	1,980	2,600	4,580
Actuarial gain in respect of pension scheme	-	22,180	22,180
<b>Total comprehensive income for the year</b>	<b>1,980</b>	<b>24,780</b>	<b>26,760</b>
<b>Balance at 31 July 2018</b>	<b>35,072</b>	<b>316,351</b>	<b>351,423</b>

# Balance Sheet

as at 31 July 2018

	Note	2018 £000	2017 £000
<b>Non-current assets</b>			
Intangible assets	12	3,370	2,917
Tangible fixed assets	13	377,057	350,739
Investments	14	45,771	42,308
		<b>426,198</b>	<b>395,964</b>
<b>Current assets</b>			
Surplus assets for disposal	15	16,740	16,740
Stock		334	287
Debtors	16	22,544	18,011
Cash and cash equivalents	22	109,906	136,097
		<b>149,524</b>	<b>171,135</b>
Creditors: amounts falling due within one year	17	(100,282)	(94,459)
<b>Net current assets</b>		<b>49,242</b>	<b>76,676</b>
<b>Total assets less current liabilities</b>		<b>475,440</b>	<b>472,640</b>
Creditors: amounts falling due after more than one year	18	(83,323)	(87,005)
Pension provisions	19	(40,294)	(60,572)
Other provisions	19	(400)	(400)
<b>Total net assets</b>		<b>351,423</b>	<b>324,663</b>

# Balance Sheet

as at 31 July 2018 continued

	Note	2018 £000	2017 £000
<b>Represented by:</b>			
<b>Restricted reserves</b>			
Income and Expenditure reserve – endowments	20	35,072	33,092
<b>Unrestricted reserves</b>			
Income and Expenditure reserve – unrestricted		316,351	291,571
<b>Total reserves</b>		<b>351,423</b>	<b>324,663</b>

The Financial Statements were approved by the University Court on 29 November 2018, and signed on its behalf by

Professor Sir J McDonald  
Principal and Vice-Chancellor

G Hastings  
Treasurer

R H Darby  
Acting Chief Financial Officer

# Statement of Cash Flows

for the year ended 31 July 2018

	2018 £000	2017 £000
<b>Net cash inflow from operating activities</b>		
Surplus for the year	4,580	7,381
<b>Adjustment for non-cash items</b>		
Depreciation	26,919	26,465
Amortisation	587	368
Gain on investments	(2,577)	(3,258)
Unrealised surplus on revaluation of investment properties	(228)	-
Increase in stocks	(47)	(37)
(Increase)/decrease in debtors	(4,111)	6,065
(Decrease)/increase in creditors	(776)	11,576
Increase/(decrease) in pension provision	758	(945)
Decrease in other provisions	-	(220)
<b>Adjustment for investing or financing activities</b>		
Investment income	(1,662)	(1,585)
Interest payable	2,758	2,856
New endowments	(60)	(256)
Gain on disposal of fixed assets	(1,393)	(20)
Capital grant income	(7,864)	(13,826)
<b>Net cash inflow from operating activities</b>	<b>16,884</b>	<b>34,564</b>
<b>Cash flows from investing activities</b>		
Proceeds from sale of fixed assets	4,734	4,420
Proceeds from sale of non-current asset investments	10,421	10,979
Capital grant receipts	6,475	18,609
Investment income	1,658	1,596
Payments to acquire fixed assets	(48,801)	(34,634)
Payments to acquire intangible assets	(1,040)	(340)
New non-current investments	(11,307)	(10,538)
	<b>(37,860)</b>	<b>(9,908)</b>

# Statement of Cash Flows

for the year ended 31 July 2018 continued

	Note	2018 £000	2017 £000
<b>Cash flows from financing activities</b>			
Interest paid		(1,701)	(1,524)
Endowment cash received		60	256
New unsecured loans		1,253	-
Repayments of amounts borrowed		(4,827)	(2,308)
		<b>(5,215)</b>	<b>(3,576)</b>
<b>(Decrease)/increase in cash and cash equivalents in the year</b>	<b>22</b>	<b>(26,191)</b>	<b>21,080</b>
<b>Cash and cash equivalents at 1 August</b>	<b>22</b>	<b>136,097</b>	<b>115,017</b>
<b>Cash and cash equivalents at 31 July</b>	<b>22</b>	<b>109,906</b>	<b>136,097</b>

# Notes to the Financial Statements

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## 1. Principal Accounting Policies

### Basis of preparation

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

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

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

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

### Income recognition

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

### Tuition fees and education contracts

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

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

### Grant funding

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

### Donations and endowments

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

## 1. Principal Accounting Policies continued

### Income recognition continued

#### Donations and endowments continued

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

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

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

- Restricted donations – the donor has specified that the donation must be used for a particular objective.
- Unrestricted permanent endowments – the donor has specified that the fund is to be permanently invested to generate an income stream for the general benefit of the University.
- Restricted expendable endowments – the donor has specified a particular objective other than the purchase or construction of tangible fixed assets, and the University has the power to use the capital.
- Restricted permanent endowments – the donor has specified that the fund is to be permanently invested to generate an income stream to be applied to a particular objective.

#### Capital grants

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

#### Accounting for retirement benefits

The University participates in the Universities Superannuation Scheme (USS), the Strathclyde Pension Fund (SPF) and the Scottish Teachers' Superannuation Scheme (STSS). With effect from 1 October 2016, USS changed from a defined benefit-only pension scheme to a hybrid pension scheme, providing defined benefits (for all members), as well as defined contribution benefits. The SPF and STSS are defined benefit schemes.

The assets of USS and STSS are held in separate trustee administered funds. Because of the mutual nature of the schemes, the schemes' assets are not attributed to individual institutions and scheme-wide contribution rates are set. The University is, therefore, exposed to actuarial risks associated with other institutions' employees and is unable to identify its share of the underlying assets and liabilities of the schemes on a consistent and reasonable basis. As required by Section 28 of FRS 102 'Employee benefits', the University therefore accounts for these schemes as if they were wholly defined contribution schemes. As a result, the amount charged to the Statement of Comprehensive Income and Expenditure represents the contributions payable to the scheme.

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

## 1. Principal Accounting Policies continued

### Accounting for retirement benefits continued

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

### Employment benefits

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

### Operating leases

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

### Foreign currencies

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

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

### Intangible assets

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

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

## 1. Principal Accounting Policies continued

### Tangible fixed assets

Tangible fixed assets, excluding investment properties, are stated at cost less accumulated depreciation and accumulated impairment losses. A review for impairment of a fixed asset is carried out if events or changes in circumstances indicate that the carrying amount may not be recoverable.

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

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

### Investment properties

Investment properties are land and buildings held for rental income or capital appreciation rather than for use in delivering services.

Investment properties are measured initially at cost and subsequently at fair value with movements recognised in the Statement of Comprehensive Income and Expenditure. Investment properties are not depreciated but are revalued or reviewed annually according to market conditions at 31 July each year.

### Land and buildings

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

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

Costs incurred in relation to a tangible fixed asset, after its initial purchase or production, are capitalised to the extent that they increase the expected future benefits to the University.

## 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 recognised as expenditure in the year of acquisition. All other equipment is capitalised. Capitalised equipment is stated at cost and depreciated over its expected useful economic life, as follows:

General equipment - 5 years

Equipment acquired for specific research projects - 2 years

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

### Borrowing costs

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

### Heritage assets

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

### Surplus assets for disposal

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

### Repairs and maintenance

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

### Investments

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

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

### Stock

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

## 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.

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

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

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

### Cash and cash equivalents

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

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

### Taxation status

The University has charitable status and is recorded on the index of charities maintained by the Office of the Scottish Charity Regulator (Charity No. SC015263). The University is an exempt charity within the meaning of Part 1, Chapter 2, Section 7 of the Charities and Trustee Investment (Scotland) Act 2005, and is considered to pass the tests set out in Paragraph 1 of Schedule 6 to the Finance Act 2010 and therefore it meets the definition of a charitable company for UK Corporation tax purposes.

Accordingly, the University is potentially exempt from taxation in respect of income or capital gains received within categories covered by Section 287 of the Corporation Tax Act 2009 and Sections 471 and 478 – 488 of the Corporation Tax Act 2010 (formerly enacted in Section 505 of the Taxes Act 1988) or Section 256 of the Taxation of Chargeable Gains Act 1992 to the extent that such income or gains are applied to exclusively charitable purposes. The University receives no similar exemption in respect of Value Added Tax.

## 1. Principal Accounting Policies continued

### Reserves

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

### Accounting estimates and judgements

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

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

- Pensions liabilities – Assumptions used in the calculation of the USS deficit and the SPF pension provisions represent a source of material uncertainty. The key assumptions made in deriving these figures are explained in detail in Notes 19 and 23.
- Fixed assets lives and impairment – Management makes judgements over the most appropriate useful life of assets, over which period the value is depreciated. Management make judgements as to whether any indicators of impairment are present for any of the University's assets.

### Legal form

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

## 2. Funding Council grants

	2018 £000	2017 £000
<b>Recurrent grants</b>		
General Fund – Teaching	64,747	64,460
General Fund – Research and Innovation	24,357	23,306
Capital grants	4,081	7,787
<b>Total recurrent grants</b>	<b>93,185</b>	<b>95,553</b>
<b>Specific grants</b>		
Strategic funding	5,472	6,876
Ring-fenced grants funded by Scottish Government	2,511	1,901
<b>Total specific grants</b>	<b>7,983</b>	<b>8,777</b>
	<b>101,168</b>	<b>104,330</b>

## 3. Tuition fees and education contracts

	2018 £000	2017 £000
Scotland home domicile fees	30,904	28,518
EU domicile fees	5,770	5,325
RUK domicile fees	3,968	3,058
Non-EU domicile fees	39,779	39,155
Non-credit bearing course fees	6,945	5,392
Education contracts	1,414	1,461
Other contracts	5,975	6,808
	<b>94,755</b>	<b>89,717</b>

#### 4. Research grants and contracts

	2018 £000	2017 £000
Research Councils	17,700	16,937
UK based charities	4,742	4,225
European Commission	6,781	6,668
Other grants and contracts	36,005	31,755
Capital grants	3,670	6,039
	<b>68,898</b>	<b>65,624</b>

#### 5. Other income

	2018 £000	2017 £000
Residences and catering	11,256	13,556
Other services rendered	16,431	12,629
Capital grants	113	-
Royalty income	400	424
Accommodation charges and rental income	1,365	675
Other income	6,677	5,317
	<b>36,242</b>	<b>32,601</b>

## 6. Investment income

	2018 £000	2017 £000
Investment income on endowments	770	768
Other investment income	363	377
Interest receivable	529	440
	<b>1,662</b>	<b>1,585</b>

## 7. Donations and endowments

	2018 £000	2017 £000
New endowments	60	256
Donations with restrictions	409	421
Unrestricted donations	1,220	1,331
	<b>1,689</b>	<b>2,008</b>

## 8. Staff costs

	Note	2018 £000	2017 £000
Wages and salaries		138,519	131,098
Social security costs		13,676	12,629
Movement on USS provision	19	450	(971)
Other pension costs	23	23,708	21,685
		<b>176,353</b>	<b>164,441</b>
		2018 Number	2017 Number
<b>Average staff numbers by major category</b>			
Academic		1,086	1,047
Professional Services		1,344	1,300
Research		557	521
Operational		638	657
		<b>3,625</b>	<b>3,525</b>
		2018 £000	2017 £000
Total remuneration of the Principal and Vice-Chancellor including pension contributions was:			
Remuneration		304	299
Benefits in kind		14	13
		<b>318</b>	<b>312</b>
Other payments in lieu of employer's pension contribution		55	54
		<b>373</b>	<b>366</b>

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

## 8. Staff costs continued

The Principal's remuneration is 9.08 times the median pay of University employees (2017: 9.08), where the median pay is based on the annualised full-time equivalent remuneration of all staff at the reporting date. This does not include agency and temporary staff employed by the University in the period, based on management's assessment that the adjustment to the disclosure would be immaterial to the overall calculation and is too onerous to create. It should be noted that, as a People Oriented organisation, all of the University's operational support staff, including catering and cleaning staff, are employees of Strathclyde. The University's deliberate and value-led decision to maintain in-house services results in the median pay ratio being higher than would be the case in other organisations where such key services are outsourced.

The number of staff, including senior post holders other than the Principal, who received emoluments in excess of £100,000, excluding employer's pension contributions, are set out in the following table. The figures shown in the ranges below include payments in lieu of pension contributions for individuals who have opted out of the Universities Superannuation Scheme.

	2018			2017		
	Senior	Other	Total	Senior	Other	Total
£100,001 - £110,000	1	16	17	1	15	16
£110,001 - £120,000	3	9	12	2	9	11
£120,001 - £130,000	3	2	5	2	2	4
£130,001 - £140,000	1	2	3	1	1	2
£140,001 - £150,000	-	2	2	1	2	3
£150,001 - £160,000	1	1	2	-	-	-
£190,001 - £200,000	-	-	-	1	-	1
£200,001 - £210,000	-	-	-	-	1	1
£210,001 - £220,000	2	1	3	1	-	1
	<b>11</b>	<b>33</b>	<b>44</b>	<b>9</b>	<b>30</b>	<b>39</b>

### Key management personnel

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the University. Staff costs include compensation paid to key management personnel.

	2018 £000	2017 £000
Key management personnel compensation	2,138	1,731
	2018 Number	2017 Number
Number of posts included in key management personnel	13	10

Key management personnel compensation includes remuneration and all employee benefits including employer pension contributions.

## 8. Staff costs continued

Key management personnel are defined as members of the Executive Team. Membership comprises: the Principal and Vice-Chancellor, the Vice-Principal, the Executive Deans, the Associate Principals, the Chief Financial Officer, the Chief Commercial Officer, the University Secretary & Compliance Officer, the Director of Human Resources and the Director of Strategy & Policy.

Following amendments to the University's Ordinances and Regulations, the membership of the Executive Team was revised in 2018. During 2017 the Executive Team had 10 members. The number increased to 13 during 2018 following the appointments of the Chief Commercial Officer, the Director of Human Resources and the Director of Strategy & Policy to the Executive Team.

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

	2018 £000	2017 £000
<b>Compensation paid</b>	<b>190</b>	<b>-</b>
	2018 Number	2017 Number
<b>Number of payments</b>	<b>2</b>	<b>-</b>

## 9. Interest and other finance costs

	2018 £000	2017 £000
Loan interest	1,614	1,579
Net charge on pension scheme	549	696
Finance charge of USS pension deficit	595	581
	<b>2,758</b>	<b>2,856</b>

## 10. Analysis of expenditure by activity

	Staff costs £000	Other operating expenses £000	Interest and other finance costs £000	2018 total £000	2017 total £000
Academic departments	92,146	16,513	-	108,659	106,163
Academic support services	10,780	8,334	-	19,114	18,504
Research grants and contracts	25,128	20,223	-	45,351	42,564
Administration and central services	20,156	6,626	-	26,782	27,477
General educational expenditure	746	15,441	-	16,187	16,559
Residences and catering	3,761	1,863	-	5,624	8,315
Premises	9,379	17,290	-	26,669	25,272
Other income generating activities	8,012	6,421	-	14,433	11,051
Movement on pension provision	450	-	-	450	(971)
Other expenses	5,795	4,704	2,758	13,257	9,995
	<b>176,353</b>	<b>97,415</b>	<b>2,758</b>	<b>276,526</b>	<b>264,929</b>
Depreciation				26,919	26,465
Amortisation				587	368
<b>Total per income and expenditure account</b>				<b>304,032</b>	<b>291,762</b>
Other operating expenses include:					
External auditor's remuneration – audit services				66	67
External auditor's remuneration – non-audit services				73	47

## 11. Other gains and losses

	Note	2018 £000	2017 £000
Gain on disposal of land and buildings		1,393	20
Gain on disposal of investments		2,577	3,258
Unrealised surplus on revaluation of investment properties	13	228	-

## 12. Intangible assets

	£000
<b>Cost</b>	
At 1 August 2017	3,677
Additions	1,040
<b>At 31 July 2018</b>	<b>4,717</b>
<b>Depreciation</b>	
At 1 August 2017	760
Amortisation charge	587
<b>At 31 July 2018</b>	<b>1,347</b>
<b>Net book value at 31 July 2018</b>	<b>3,370</b>
<b>Net book value at 31 July 2017</b>	<b>2,917</b>

### 13. Tangible fixed assets

	Investment properties £000	Land and Buildings			Equipment £000	Total £000
		Freehold £000	Long leasehold £000	Assets under construction £000		
<b>Cost</b>						
At 1 August 2017	-	478,885	11,949	15,819	68,108	574,761
Additions	9,629	5,199	131	31,590	7,101	53,650
Revaluation	228	-	-	-	-	228
Disposals	-	(1,548)	-	-	(2,477)	(4,025)
<b>At 31 July 2018</b>	<b>9,857</b>	<b>482,536</b>	<b>12,080</b>	<b>47,409</b>	<b>72,732</b>	<b>624,614</b>
<b>Depreciation</b>						
At 1 August 2017	-	179,164	9,921	-	34,937	224,022
Charge for year	-	15,657	350	-	10,912	26,919
Disposals	-	(907)	-	-	(2,477)	(3,384)
<b>At 31 July 2018</b>	<b>-</b>	<b>193,914</b>	<b>10,271</b>	<b>-</b>	<b>43,372</b>	<b>247,557</b>
<b>Net book value at 31 July 2018</b>	<b>9,857</b>	<b>288,622</b>	<b>1,809</b>	<b>47,409</b>	<b>29,360</b>	<b>377,057</b>
<b>Net book value at 31 July 2017</b>	<b>-</b>	<b>299,721</b>	<b>2,028</b>	<b>15,819</b>	<b>33,171</b>	<b>350,739</b>

### 13. Tangible fixed assets continued

At 31 July 2018, freehold land and buildings included £30,450,000 (2017 £30,450,000) in respect of freehold land which is not depreciated.

Buildings with a net book value of £311,825,000 and cost of £491,903,000 have been funded in part or in whole from public funds. Should these particular buildings be sold, the University would have to surrender the relevant proceeds or use them in accordance with the Financial Memorandum with the Scottish Funding Council.

Heritage assets are not recognised in the Financial Statements. The University's heritage assets comprise over 1,000 works of art, around 400 historical scientific instruments, some 35 special collections of rare printed and manuscript materials, historical archives (including the University's own archives and some 30 other archive collections), and silverware and other ceremonial items. The ages of the items range from the 15th century to the present day.

The artwork collection is mainly displayed in University buildings across the campus, while the historical scientific instrument collection is available for viewing by appointment. The book/manuscript collections and archives are used for consultation purposes. The ceremonial assets are used for occasions such as graduations. No material acquisitions occurred in the period, and there were no disposals.

## 14. Fixed asset investments

	2018 £000	2017 £000
At 1 August	42,308	39,491
Additions	11,594	10,289
Disposals	(11,068)	(9,761)
Increase in market value of investments	3,224	2,190
(Decrease)/increase in cash balances	(287)	99
<b>At 31 July</b>	<b>45,771</b>	<b>42,308</b>
Represented by:		
Fixed interest investments (listed)	7,356	6,712
Equities (listed)	33,776	31,444
Cash at bank	1,886	2,173
Spin-out company investments	2,753	1,979
	<b>45,771</b>	<b>42,308</b>

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

The University's subsidiary undertakings are:

	%		Main	Year
	Holding		activity	end
Strathclyde University Incubator Limited	100	Incubator for technology-based business		31/07/18
University of Strathclyde Properties Limited	100		Dormant	31/07/18
Haleno Limited	100		Dormant	31/07/18
SGBS Limited	100		Dormant	31/07/18

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

## 15. Surplus assets for disposal

The surplus assets for disposal include £16,353,000 in respect of the land and buildings of the former Jordanhill Campus. Detailed planning consent for residential development on this site has been secured.

The University concluded missives with a developer subject to suspensive conditions during 2018. The University worked with the developer to purify the various terms and conditions within the missives with the aim of creating an unconditional contract for sale. The suspensive conditions were purified and the sale concluded on 1 October 2018. The University will receive proceeds of £32,950,000 over a five-year period.

## 16. Debtors

	2018 £000	2017 £000
Debtors	14,627	9,902
Prepayments and accrued income	7,917	8,109
	<b>22,544</b>	<b>18,011</b>

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

	2018 £000	2017 £000
Unsecured loans	4,934	4,827
Creditors	19,242	20,351
Social security and other taxation payable	3,729	3,520
Accruals	17,960	17,106
Deferred income	54,417	48,655
	<b>100,282</b>	<b>94,459</b>

### Deferred income

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

	2018 £000	2017 £000
Donations	1,128	1,492
Research grants received on account	22,351	18,845
Grant income	14,418	14,809
Other income	16,520	13,509
	<b>54,417</b>	<b>48,655</b>

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

	2018 £000	2017 £000
<b>Analysis of unsecured loans:</b>		
Due within one year or on demand	4,934	4,827
Due between one and two years	5,039	4,864
Due between two and five years	15,480	14,808
Due in five years or more	62,804	67,333
	<b>88,257</b>	<b>91,832</b>
Due within one year or on demand	(4,934)	(4,827)
<b>Due after more than one year</b>	<b>83,323</b>	<b>87,005</b>

An unsecured bank loan of £86,405,000 (2017 £89,412,000) from the European Investment Bank is repayable by instalments between 1 August 2018 and 5 March 2035 and interest is charged as follows:

- £20 million – 0.482% above the 6 month LIBOR rate
- £20 million – 0.333% above the 6 month LIBOR rate
- £20 million – 2.279% fixed rate until 5 March 2025
- £30 million – 2.512% fixed rate until 5 March 2035

The University has interest free loans totalling £1,000,000 (2017 £600,000) from Salix Finance Ltd which are partially repayable in five years or more. The dates and quantum of repayments are wholly dependent upon the timing of expenditure and savings related to various energy efficiency and renewable energy projects funded by these loans, which require matched funding by the University.

The University has an unsecured interest free loan of £853,000 (2017 £Nil) from the Scottish Funding Council University Carbon Reduction Programme. This is repayable by instalments between February 2019 and February 2025.

## 19. Provisions for liabilities

	Obligation to fund deficit on USS pension £000	Pension enhancements £000	Defined benefit obligations (Note 23) £000	Total pension provisions £000	Other provisions £000	Total £000
At 1 August 2017	33,617	6,318	20,637	60,572	400	60,972
Utilised in year	-	(555)	-	(555)	-	(555)
Additions in year	450	-	-	450	-	450
Unwinding of discount	595	-	-	595	-	595
Unused amounts reversed in year	-	(131)	(20,637)	(20,768)	-	(20,768)
<b>At 31 July 2018</b>	<b>34,662</b>	<b>5,632</b>	<b>-</b>	<b>40,294</b>	<b>400</b>	<b>40,694</b>

### Obligation to fund deficit on USS pension

An obligation to fund the past deficit on the Universities Superannuation Scheme (USS) arises from the contractual obligation with the pension scheme for total payments relating to benefits arising from past performance.

The 2017 USS triennial valuation has been undertaken but is not yet concluded. The 2017 valuation has set out the challenges currently facing the scheme and the likelihood of significant increases in contributions being required to address these challenges.

In the judgement of the University, as the 2017 valuation has not formally completed, and further consultation is required around a number of key factors specifically relating to the funding of the past deficit, it remains appropriate to continue to account for the past deficit obligation in accordance with the plan agreed after the 2014 actuarial valuation. Those key factors to be determined include the level of contributions required, the period of the recovery plan and the level of asset performance over the period.

The provision at 31 July 2018 has been calculated by estimating future pension payments by the University and applying the deficit recovery contributions outlined in the USS deficit recovery plan published in June 2015. The provision has been discounted at a rate of 2.21% (2017 1.77%), the weighted average discount factor over the remainder of the 17-year deficit recovery plan (to 2031).

There is, however, a significant risk that the year-end provision as calculated will not reflect the position following the outcome of negotiations, potentially by a very significant amount depending upon what is finally agreed as regards future deficit contributions and their duration. The University expects to have greater clarity in this respect during the next financial year.

The University has undertaken some sensitivity analysis to illustrate the possible impact on the possible deficit recovery provision required in the future once agreement is reached. Based on a scenario of the same discount rate of 2.21%, the deficit being repaid in full by 2031 and a 1% increase in the deficit contribution rate, the potential impact on the existing liability of £34.7 million would be an increase of £15.7 million.

## 19. Provisions for liabilities continued

### Pension enhancements

The University has an obligation in respect of former employees who have retired and for whom an enhanced pension has been provided. Some £5,617,000 (2017 £6,303,000) of this liability continues throughout the retirement period and is assessed by independent actuarial valuation. The principal assumptions are a discount rate of 2.8% (2017 2.5%) and pension increases of 2.1% (2017 2.1%). The balance of £15,000 (2017 £15,000) relates to the estimated cost of enhanced benefits and any 'strain' costs levied by pension schemes due to the early payment of pension benefits. These will be settled via future payments to the Universities Superannuation Scheme and the Scottish Teachers' Superannuation Scheme.

## 20. Endowments

	Unrestricted permanent £000	Restricted permanent £000	Total permanent £000	Restricted expendable £000	2018 total £000	2017 total £000
<b>At 1 August</b>						
Capital	5,589	23,399	28,988	-	28,988	27,243
Accumulated income	-	2,833	2,833	1,271	4,104	3,617
	<b>5,589</b>	<b>26,232</b>	<b>31,821</b>	<b>1,271</b>	<b>33,092</b>	<b>30,860</b>
New endowments	9	51	60	-	60	256
Investment income	135	627	762	8	770	768
Expenditure	(135)	(489)	(624)	(94)	(718)	(689)
	<b>-</b>	<b>138</b>	<b>138</b>	<b>(86)</b>	<b>52</b>	<b>79</b>
Increase in market value of investments	478	1,376	1,854	14	1,868	1,897
<b>At 31 July</b>	<b>6,076</b>	<b>27,797</b>	<b>33,873</b>	<b>1,199</b>	<b>35,072</b>	<b>33,092</b>
Represented by:						
Capital	6,076	24,826	30,902	-	30,902	28,988
Accumulated income	-	2,971	2,971	1,199	4,170	4,104
	<b>6,076</b>	<b>27,797</b>	<b>33,873</b>	<b>1,199</b>	<b>35,072</b>	<b>33,092</b>

## 20. Endowments continued

### Analysis by type of purpose

	Unrestricted permanent £000	Restricted permanent £000	Total permanent £000	Restricted expendable £000	2018 total £000	2017 total £000
Scholarship	1,948	8,407	10,355	244	10,599	9,900
Chair	-	1,842	1,842	-	1,842	1,771
Entrepreneurship	-	6,791	6,791	369	7,160	6,920
Lectureships	-	1,131	1,131	242	1,373	1,287
Prizes	-	1,417	1,417	-	1,417	1,322
Research support	-	6,592	6,592	227	6,819	6,447
General	4,128	1,617	5,745	117	5,862	5,445
	<b>6,076</b>	<b>27,797</b>	<b>33,873</b>	<b>1,199</b>	<b>35,072</b>	<b>33,092</b>

### Major Endowments

Restricted permanent endowments include four major individual funds:

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

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

	T B Hunter Charitable Trust £000	Sir David S Anderson Trust £000	Glaxo £000	Robertson Trust £000
At 1 August 2017	6,165	1,596	2,327	1,765
Investment income	221	38	47	34
Expenditure	(278)	(6)	(47)	(34)
Increase in market value of investments	316	99	55	75
<b>At 31 July 2018</b>	<b>6,424</b>	<b>1,727</b>	<b>2,382</b>	<b>1,840</b>

## 20. Endowments continued

	2018 £000	2017 £000
<b>Analysis by asset:</b>		
Current and non-current asset investments	29,461	27,232
Cash and cash equivalents	5,611	5,860
	<b>35,072</b>	<b>33,092</b>
<b>Cash and cash equivalents comprise:</b>		
Cash held at Investment Manager	1,743	2,011
Cash held at University	3,868	3,849
	<b>5,611</b>	<b>5,860</b>

## 21. Capital commitments

	2018 £000	2017 £000
<b>Commitments contracted at 31 July</b>	<b>5,426</b>	<b>30,501</b>

Of the above commitments £1,689,000 (2017 £3,973,000) will be funded from external sources.

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

	At 1 August 2017 £000	Cash flow £000	At 31 July 2018 £000
Cash and cash equivalents	136,097	(26,191)	109,906
Loans	(91,832)	3,575	(88,257)
	<b>44,265</b>	<b>(22,616)</b>	<b>21,649</b>

## 23. Pension schemes

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

	Note	2018 £000	2017 £000
The pension costs for the year were:			
USS		19,153	17,823
SPF		4,505	3,806
STSS		50	56
	8	<b>23,708</b>	<b>21,685</b>

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

		2018 £000	2017 £000
Outstanding contributions at 31 July were:			
USS		1,679	1,612
SPF		287	284
STSS		4	5
		<b>1,970</b>	<b>1,901</b>

## 23. Pension schemes continued

### Universities Superannuation Scheme

The total cost charged to the Statement of Comprehensive Income and Expenditure is £19,153,000 (2017 £17,823,000).

The latest available full actuarial valuation of the Retirement Income Builder Section of the Scheme was at 31 March 2014 ('the valuation date'), which was carried out using the projected unit method. The valuation as at 31 March 2017 is underway but not yet completed.

Since the University is unable to identify its share of the Retirement Income Builder Section of the Scheme assets and liabilities, the following disclosures reflect those relevant for the section as a whole.

The 2014 valuation was the third valuation for USS under the scheme-specific funding regime introduced by the Pensions Act 2004, which requires schemes to adopt a statutory funding objective, which is to have sufficient and appropriate assets to cover their technical provisions. At the valuation date, the value of the assets of the scheme was £41.6 billion and the value of the scheme's technical provisions was £46.9 billion, indicating a shortfall of £5.3 billion. These figures will be revised once the 2017 Scheme Valuation is complete.

Defined benefit liability numbers for the Scheme for accounting purposes have been produced using the following assumptions at 31 March 2017 and 2018:

	2018	2017
Discount rate	2.64%	2.57%
Pensionable salary growth	n/a	n/a
Price inflation (CPI)	2.02%	2.41%

## 23. Pension schemes continued

The main demographic assumption used relates to the mortality assumptions. These assumptions have been updated for the 2018 accounting position, based on updated analysis of the Scheme's experience carried out as part of the 2017 actuarial valuation. The mortality assumptions used in these figures are as follows:

	2018	2017
Mortality base table	<p>Pre-retirement:</p> <p>71% of AMC<sub>00</sub> (duration 0) for males and 112% of AFC<sub>00</sub> (duration 0) for females.</p> <p>Post retirement:</p> <p>96.5% of SAPS S1NMA "light" for males and 101.3% of RFV<sub>00</sub> for females.</p>	<p>98% of SAPS S1NA "light" YOB unadjusted for males.</p> <p>99% of SAPS S1NA "light" YOB with a -1 year adjustment for females.</p>
Future improvements to mortality	CMI_2016 with a smoothing parameter of 8.5 and a long term improvement rate of 1.8% p.a. for males and 1.6% p.a. for females.	CMI_2014 with a long term rate of 1.5% p.a.

The current life expectancies on retirement at age 65 are:

	2018	2017
Males currently aged 65	24.5 years	24.4 years
Females currently aged 65	26.0 years	26.6 years
Males currently aged 45	26.5 years	26.5 years
Females currently aged 45	27.8 years	29.0 years

	2018	2017
Scheme assets	£63.6bn	£60.0bn
FRS 102 liabilities	£72.0bn	£77.5bn
FRS 102 total scheme deficit	£8.4bn	£17.5bn
FRS 102 total funding level	88%	77%

## 23. Pension schemes continued

### Strathclyde Pension Fund

The University participates in the Strathclyde Pension Fund (SPF), a local government pension scheme, which provides benefits based on final pensionable salary for employees of local government and some other institutions including the University. The University believes that sufficiently robust information is available to enable each institution's share of the underlying assets and liabilities of the scheme to be identified on a consistent and reasonable basis and the scheme is accounted for as if it were a defined benefit scheme.

SPF is an externally funded, multi-employer, defined benefits scheme. The last full valuation was carried out at 31 March 2017 by a qualified independent actuary. The results below are based on rolling forward the previous valuation results to 31 July 2018.

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

	2018	2017
Rate of increase of salaries (see Note a)	3.4%*	4.4%**
Rate of increase in pensions in payment (see Note b)	2.4%	2.4%
Discount rate	2.8%	2.6%

(a) \* The salary increase assumption is 3.2% for the year to 31 July 2019, 3.6% for the year to 31 July 2020, 2.4% for the year to 31 July 2021 and 3.6% thereafter.

\*\* The salary increase assumption is 2.7% for the year to 31 July 2018, 2.3% for the year to 31 July 2019, 2.4% for the year to 31 July 2020 and 4.4% thereafter.

(b) The rate of increase in pensions at 31 July 2018 is based on CPI.

The current mortality assumptions include a sufficient allowance for future improvements in mortality rates.

The assumed life expectations on retirement age 65 are as follows:

	2018	2017
Current Pensioners		
Males	21.4 years	22.1 years
Females	23.7 years	23.6 years
Future Pensioners		
Males	23.4 years	24.8 years
Females	25.8 years	26.2 years

### 23. Pension schemes continued

The fair values of the University's share of the assets and liabilities in the scheme were measured in accordance with the requirements of Section 28 of FRS 102 'Employee benefits' and the expected rates of return were as follows.

The expected return on assets has been derived as the weighted average of the expected returns from each of the main asset classes.

	2018 £000	2017 £000	2016 £000
Equities	140,756	145,522	133,777
Bonds	48,385	28,694	29,321
Property	24,192	22,546	20,158
Cash	6,598	8,198	-
	<b>219,931</b>	<b>204,960</b>	<b>183,256</b>

Weighted average expected rate of return	2.8%	2.6%	2.4%
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	2018 £000	2017 £000
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#### Analysis of the amount shown in the Balance Sheet for SPF defined benefit obligation

Scheme assets	219,931	204,960
Less share of assets not recognised under FRS 102	(17,063)	-
Scheme liabilities	(202,868)	(225,597)

<b>Surplus/(deficit) in the scheme – defined benefit obligations (Note 19)</b>	<b>-</b>	<b>(20,637)</b>
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#### Analysis of the amount included in operating expenditure

Current service cost	4,505	3,806
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#### Analysis of the amount charged to interest payable

Interest cost	5,841	5,056
Expected return on assets	(5,292)	(4,360)

<b>Net charge to other finance income</b>	<b>549</b>	<b>696</b>
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### 23. Pension schemes continued

	2018 £000	2017 £000
<b>Analysis of Other Comprehensive Income for SPF pensions:</b>		
Actual return less expected return on scheme assets	12,291	20,299
Gains/(losses) on scheme liabilities	26,952	(11,004)
Less actuarial gain not recognised under FRS 102	(17,063)	-
<b>Total gain recognised via Statement of Comprehensive Income and Expenditure during year</b>	<b>22,180</b>	<b>9,295</b>

	2018	2017
<b>History of experience gains and losses</b>		
Difference between the expected and actual returns on assets (£000)	12,291	20,299
Percentage of scheme assets	5.6%	9.9%
Gains/(losses) on scheme liabilities (£000)	26,952	(11,004)
Percentage of scheme liabilities	13.3%	(4.9%)
Total amount recognised in Other Comprehensive Income (£000)	22,180	9,295
Percentage of scheme liabilities	10.9%	4.1%

The contribution rate payable by the University was 22.7% of pensionable salary until 31 March and thereafter 29.5% (2017 22.7%). In addition, the University made additional cash contributions totalling £626,000 (2017 £916,000).

## 23. Pension schemes continued

	2018 £000	2017 £000
<b>Movements in present value of defined benefit obligations</b>		
Present value of obligations at 1 August	225,597	212,042
Current service cost (net of member contributions)	4,505	3,806
Interest cost	5,841	5,056
Actuarial (gains)/losses	(26,952)	11,004
Contributions by members	655	598
Estimated unfunded benefits paid	(161)	(165)
Benefits paid	(6,617)	(6,744)
<b>At 31 July</b>	<b>202,868</b>	<b>225,597</b>

	2018 £000	2017 £000
<b>Movements in fair value of plan assets</b>		
At 1 August	204,960	183,256
Expected return on plan assets	5,292	4,360
Actuarial gains	12,291	20,299
Contributions by the employer	3,350	3,191
Contributions in respect of unfunded benefits	161	165
Contributions by members	655	598
Unfunded benefits paid	(161)	(165)
Benefits paid	(6,617)	(6,744)
<b>At 31 July</b>	<b>219,931</b>	<b>204,960</b>

The above movements in plan assets and liabilities result in a net asset of £17,063,000 at 31 July 2018. However, as outlined in the accounting policies, where the calculation results in a net asset, recognition of the asset is limited to the extent to which the University is able to recover the surplus either through reduced contributions in the future or through refunds from the scheme. The University has assessed the recoverability of the asset on this basis and determined that it is appropriate that the plan surplus is not recognised in line with the requirements of FRS 102.

## 23. Pension schemes continued

### Scottish Teachers' Superannuation Scheme

The Scottish Teachers' Superannuation Scheme (STSS) provides benefits based on final pensionable salary for Scottish teachers.

The scheme is administered by the Scottish Public Pensions Agency and is financed by contributions from employers and current members of the scheme. The contributions paid into the scheme fall into general government revenues. There is no actual fund of assets but an account is maintained of a notional fund made up of contributions paid by employers and members, supplemented by a return on the notional fund at a pre-determined rate and reduced by benefits as and when they are paid to retired and former members of the scheme.

The UK Government's Public Service Pensions Act requires that a valuation of STSS must be undertaken every four years to measure the costs of benefits being provided. The first valuation of STSS under these new arrangements was carried out by the Government Actuary's Department on behalf of the Scottish Government based on scheme data as at 31 March 2012. The valuation was completed on 27 February 2015. The results were used to set employer contribution rates from 1 September 2015 to 31 March 2019 inclusive and to establish an employer cost cap against which future scheme costs will be compared in future quadrennial valuations.

The valuation showed total scheme liabilities for service to 31 March 2012 of £20.9 billion and notional assets of £19.6 billion, giving a notional past service deficit of £1.3 billion.

The level of contribution paid by employing institutions was 17.2% (2017 17.2%) of members' salaries.

## 24. Financial instruments

	Note	2018 £000	2017 £000
<b>Financial assets</b>			
Measured at fair value through income and expenditure:			
Investments (fixed investments listed)	14	7,356	6,712
Investments (equities listed)	14	33,776	31,444
Investments (cash)	14	1,886	2,173
Measured at cost less impairment:			
Spin-out company investments	14	2,753	1,979
Measured at undiscounted amount receivable:			
Trade and other debtors	16	22,544	18,011
<b>Financial liabilities</b>			
Measured at undiscounted amount payable:			
Loans payable falling due within one year	17	4,934	4,827
Loans payable falling due after more than one year	18	83,323	87,005
Trade and other creditors	17	95,348	89,632

## 25. Related party transactions

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

The University makes certain payments on behalf of and is reimbursed for certain costs by the Students' Association (USSA). The University does not exercise day to day control over the activities of USSA. In 2018, the University provided USSA with rent free accommodation and contributed £1,512,000 (2017 £1,524,000) as a grant towards its activities. The balance due from the University at 31 July was £10,000 (2017 £188,000).

## 25. Related party transactions continued

In line with the Committee of University Chairs' 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 reviewed by management in advance of preparing the financial statements for the year. Management identified no related party transactions that it considered necessary to disclose here through its review.

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.

## 26. HE bursaries and other student support funds

	2018 HE Childcare £000	2018 HE Discretionary £000	2018 total £000	2017 total £000
Allocation received in the year	901	474	1,375	1,275
Expenditure	(870)	(504)	(1,374)	(1,274)
Virements	(30)	30	-	-
Balance carried forward	1	-	1	1
Repayable as clawback	1	-	1	1

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

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## 27. Facility time publication

The Trade Union (Facility Time Publication Requirements) Regulations 2017 came into force on 1 April 2017. The regulations place a legislative requirement on relevant public sector employers, including the University, to collate and publish a range of data on the amount and cost of Trade Union facility time within their organisation on an annual basis. The University's return for the period 1 April 2017 - 31 March 2018, which contains details of numbers of employees who were relevant union officials, the percentage of their working hours spent on facility time, percentage of paybill spent on facility time and paid trade union activities, is available on the webpage <https://www.strath.ac.uk/hr/facilitytimepublication/>.



## Court Membership 2017/18

### Convener of Court

Dame S Bruce

### Ex Officio

Principal and Vice-Chancellor  
Professor Sir J McDonald

Vice-Principal Professor S MacGregor

### Glasgow City Council

Councillor D McDonald

### Senate

Mrs A Corrigan  
Dr A McLaren  
Professor E Riis  
Dr K Hamilton  
Ms G Pallis

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

Mr C Hepburn

Ms T Wong

### Co-opted by Court (Lay Members)

Mr J Beeton  
Dr A Bethel  
Mr R Cleland (Vice-Convener of Court and Deputy  
Convener, Staff)

Ms A Culpan  
Ms G Hastings (Treasurer)

Dame S Bruce (Convener of Court)  
Ms S Kelly  
Mrs P Galloway  
Ms K Alexander  
Dr J Morgan  
Mr M Roughead  
Ms M Venman (Deputy Convener, Estates)

### Professional Services Staff

Ms L McKean

## Membership of Principal Committees of Court

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

Member of Estates Committee, Staff Committee, Court Membership Group,  
Court Business Group, Enterprise & Investment Committee

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

Member of Court Membership Group

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

Member of Estates Committee

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

Member of Audit and Risk Committee  
Member of Court Business Group, Court Membership Group, Enterprise &  
Investment Committee, Estates Committee and Remuneration Committee

See above  
Member of Staff Committee and Enterprise & Investment Committee  
Convener of Audit and Risk Committee  
Member of Audit and Risk Committee  
Member of Audit and Risk Committee  
Member of Enterprise & Investment Committee and Staff Committee  
Member of Estates Committee, Court Business Group, Court Membership  
Group and Remuneration Committee

Member of Court Business Group

The following individuals were appointed as members of Court on 1 August 2018. They were not members of Court during the financial year to 31 July 2018 but were members of Court on the day the Financial Statements were approved:

Ms B Wyllie, Dr N McGarvey, Dr K Mitchell, Mrs H Stenhouse, Mr M Crilly, Ms T Farukuoye.

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



University of Strathclyde Glasgow G1 1XQ  
[www.strath.ac.uk](http://www.strath.ac.uk)

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