



University of
Strathclyde
Glasgow

STRATHCLYDE
SPORT

REPORT & FINANCIAL STATEMENTS

YEAR ENDED 31 JULY 2019

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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 until 16/06/19)

Steven Wallace BAcc (Hons) CA (from 17/06/19)

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Adrian Gillespie BAcc MBA

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Sandra Heidinger MA FCIPD (from 01/05/19)

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

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) (until 30/09/19)

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

Contents

Principal's Report	2
Strategic Report	5
Statement of Corporate Governance and Internal Control	26
Statement of Primary Responsibilities of the University Court	34
Independent Auditor's Report to the Court	36
Statement of Comprehensive Income and Expenditure	40
Statement of Changes in Reserves	41
Balance Sheet	42
Statement of Cash Flows	44
Notes to the Financial Statements	46
Court Membership 2018/19	86

Principal's Report

After another exceptional year for the University of Strathclyde, I have pleasure in presenting to you our financial statements for 2019.

We have enhanced our status as a leading international technological university and advanced our strategic aims, within a socially progressive framework. Our mission is to find solutions to the most urgent global challenges of the 21st century: new, much-needed medicines and medical treatments; innovative systems for secure, sustainable energy supplies; policy and technological actions to tackle climate change; and technologies to meet the demands of a rapidly changing world including healthcare, manufacturing, transport and communications.

We also provide detailed, independent analysis of complex political and economic issues, inform the policy that underpins our society and educate the teachers, lawyers, entrepreneurs, engineers, scientists and child care professionals of the future.

We are financially well-placed to continue to build upon our considerable successes of recent years. Our total income for the year came to £336.2 million, including £74 million in research income – an increase of 7.4%.

This is a testament to both the world-class Strathclyde research community and the strength of our relationship with our partners, and our ability to play a significant role in the prosperity and wellbeing of our citizens, city, our country and the world at large.



With the invaluable input of our strategic partners around the world, we continue to progress in our founding mission of ‘Useful Learning’ – a proud legacy from our establishment during the Enlightenment in 1796. Our Technology and Innovation Centre (TIC) and Inovo building are at the heart of the Glasgow City Innovation District, launched in February 2019, where researchers and high-growth firms come together with start-up companies and public sector agencies in our quest for effective, novel, practical and sustainable solutions. Our strategic themes in TIC have been low carbon energy, pharmaceutical manufacturing, photonics, bio-nano technology and biomedical engineering.

The new Innovation District venture is central to the development of additional research clusters, in which we are intensively pursuing research and innovation in FinTech, Health Technology, Industrial Informatics, 5G Communications, Quantum Technology and Space. In addition, we are one of the key partners in the Advanced Manufacturing Innovation District Scotland. Sited near Glasgow Airport, the District will incorporate the National Manufacturing Institute for Scotland, in which we are the anchor University and which includes Strathclyde’s Advanced Forming Research Centre, Lightweight Manufacturing Centre and the Medicines Manufacturing Innovation Centre, in which we are the primary research partner.

The intensive and collaborative research to be carried out in these Districts places us at the forefront of the expansion of Scotland’s innovation economy and manufacturing sector. Not only are they giving Scotland a competitive edge globally but are also well placed to attract inward investment and to nurture the skills a thriving industry needs.



We are making major investments, worth a total of over £1 billion, in the transformation of our campus; in 2019 alone, capital investment in the University's estate has come to a total of £35.7 million. In the past year, we have opened our £31 million Strathclyde Sport building, which offers a vast range of sports and activity facilities to our staff and students. Work is also progressing well on our Learning and Teaching Hub, which will be a focal point for our students as both a learning resource centre and the base for our students' union.

In addition, our Combined Heat and Power system became operational in December. This has enabled us to make a marked reduction in our carbon footprint and to increase our contribution to the urgent action required on the declared climate emergency whilst providing over one third of our energy requirements.

We are a socially progressive university, dedicated to ensuring that there are no barriers to people who have the ability and desire to study and providing our students with a real sense of belonging. We exceeded our targets for recruiting students from disadvantaged backgrounds three years ahead of schedule. In addition, we have many programmes in place so that we can continue to welcome the best students – no matter where they are from.

The quality of our university, as a place to work, study and do business, was recognised this year when we earned the title of Scottish University of the Year in the Sunday Times' 2020 Good University Guide. We were described as "a university on the up" and this is a fitting endorsement and acknowledgement of the quality and commitment of all our staff. We are continually advancing, ready to meet the next challenge and to seek the next breakthrough. We are also hopeful of further success in this year's Times Higher Education Awards, in which we have been shortlisted for four categories: Outstanding Contribution to Leadership Development; Widening Participation or Outreach Initiative; Outstanding Library Team and the overall UK University of the Year category.

None of this can be achieved without the outstanding and tireless work of our staff, students and partners. I offer them my sincere gratitude for helping us to record so much success and I look forward to continuing our fantastic and exciting journey in the coming year.

Professor Sir Jim McDonald
Principal and Vice-Chancellor
28 November 2019



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

Our Vision	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				
Our Mission	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				
Strategic Themes	Outstanding student experience		Internationally-leading research		World-leading innovation and impact
Cross-cutting Themes	Global engagement			Operational excellence	
Our Values	People-oriented	Bold	Innovative	Collaborative	Ambitious

Within our five-year Strategic Plan to 2020 we set 16 key performance indicator targets as we looked 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 four years of implementation. For some measures, a longer-term trajectory is provided, with the aim of providing an enhanced view of longer-term trends. We will launch our new Strategy to 2025 in early 2020, extending our ambitions and building on success to date.



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. In 2019, the University was awarded the highest possible outcome in its Enhancement Led Institutional Review (ELIR) by the Quality Assurance Agency Scotland. This confirmed that Strathclyde had effective arrangements for managing academic standards and the student learning experience, and the University also received seven commendations.

Performance measures	Progress/activity
Achieve an annual intake of 1,000 Scottish domiciled undergraduates from SIMD 0-40 areas by 2020	The University exceeded its target for the recruitment of Scottish-domiciled undergraduates from SIMD 0-40 areas three years early and we have continued to build on that success. We remain the Scottish research-intensive university with the largest number of entrants from the 40% most deprived areas in Scotland. In 2019, Strathclyde admitted 1,155 SIMD 0-40 entrants, which exceeded the milestone set for 2019 (973 headcount) and exceeded the target set for 2020 for the second consecutive year. SIMD 0-40 represents over one-third of our undergraduate entrant population, and SIMD 0-20 represents over 17%, which progresses the University significantly towards meeting Scottish Government Commission on Widening Access targets of 20% from SIMD 0-20 by 2030.
Maintain undergraduate retention from Year 1 to Year 2	Whilst our student population continues to change we have broadly maintained our high retention rate. Strathclyde's proportion of 2016/17 undergraduate entrants retained in 2017/18 was 92.0%, which is up by 0.6% year-on-year, this is also above the UK average by 2.0% and above the Scottish average by 0.4%.
Achieve Student Satisfaction (overall) of 90% or higher annually in the National Student Survey	At 86%, our performance in overall NSS satisfaction has increased by 2% year-on-year. Strathclyde is now in the top quartile for UK HEIs for overall satisfaction, and has outperformed its HESA benchmark of 84%.
Meet or exceed our HESA benchmark annually for the proportion of graduates in work or further study	The new 'Graduate Outcomes' survey was introduced centrally across the UK from December 2018 by HESA. A key change is that the survey point was extended from six months to fifteen months after graduation, creating a gap in reporting this year. In 2018, 94% of our graduates were in work or further study six months after their graduation.
Increase our postgraduate taught (PGT) population to 3,100 FTE by 2020	The postgraduate taught population was 3,565 FTE in 2019. This represents a considerable increase on the baseline figure of 2,340 FTE and for the second consecutive year 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. Focus on research excellence and impact has been critical during 2019 leading up to the 2020 submission date for the Research Excellence Framework.

Performance measures	Progress/activity
Increase our total competitively won research income to £70 million by 2020	Building on the University's success in the 2014 Research Excellence Framework exercise and ongoing high quality research outputs with impact, research income in 2019 totals £74.0 million, representing a year-on-year increase of £5.1 million (7.4%) and an overall increase of over 40% over a five-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 68% greater than the world average in 2018, which 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 from 2017; through significant focus and activity our overall population in 2019 has slowly increased to 2,015 headcount (1,440 FTE). Substantial growth in our population in recent years has made a significant contribution to our research intensification agenda. Strathclyde is pursuing a wide range of 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. 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 further capitalising on opportunities arising through the UK Government's Industrial Strategy Challenge Funding and UK Catapult Centres.

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, we are continuing to drive towards stretch KPI targets focusing both on research income and PGR numbers which will be extended in our 2025 Strategy. REF 2014 results brought financial benefit flowing from the Scottish Funding Council (SFC) via the University's Research Excellence Grant allocations and significant preparations are underway for our REF 2021 submission.

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
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)	Financially we have continued to develop our consultancy income, which totalled £14.1 million in 2019, whilst our CPD income totalled £15.4 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 £30.4 million in 2019. 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 30 such funded partnership awards.
Increase our total industry research income to £18 million by 2020	In line with our strategy we have had a continued focus on industry research income, as a subset of total research income, which has seen significant growth in recent years and now totals £17.5 million. In line with the risks noted earlier, we will require continued success to achieve our ambitions for the medium term.

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 2019 there were 2,855 FTE non-EU students registered at Strathclyde, which is now ahead of the final 2020 target.
Monitor the proportion of non-EU students from beyond our five most well-represented countries	In 2019 the five largest sending countries accounted for 49% 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, ongoing changes in relation to immigration and the visa regime, against 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 13 (1 Silver, 12 Bronze) and we are awaiting results of one new Departmental application.
Achieve an increase in cash generated from operations of £3 million p.a. from the 2018 baseline	Cash generated from operations rose by £16.5 million from £16.9 million in 2018 to £33.4 million in 2019.
Reduce our carbon emissions by 25% by 2020	Following the acquisition of new buildings on campus, in 2019 the University's carbon emissions were 22,593 tonnes CO ₂ e, compared to 22,026 tonnes CO ₂ e in 2018. The Combined Heat and Power District Energy Network will provide the first full year of savings in 2019/20, and the network will be a key contributor to the University's carbon reduction strategy into the long-term alongside many other developments being taken forward as part of our commitment to the UN's Sustainable Development Goals.

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. Increased global focus on climate action and carbon reduction are driving greater scrutiny and urgency around institutional and individual actions and choices.



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

	2019 Operating activities £M	2019 Other significant items £M	2019 Total £M	2018 Operating activities £M	2018 Other significant items £M	2018 Total £M
Summary Income and Expenditure						
Income (excluding capital grants)	315.5	0.8	316.3	296.5	-	296.5
Capital grant income	19.9	-	19.9	7.9	-	7.9
Total Income	335.4	0.8	336.2	304.4	-	304.4
Expenditure (incl depreciation)	(325.0)	(79.7)	(404.7)	(300.3)	(3.7)	(304.0)
Surplus/(deficit) before other gains and losses	10.4	(78.9)	(68.5)	4.1	(3.7)	0.4
Gains on disposal of fixed assets	-	16.3	16.3	-	1.4	1.4
Gains on investments	-	2.6	2.6	-	2.6	2.6
Unrealised (deficit)/surplus on revaluation of investment properties	-	(0.5)	(0.5)	-	0.2	0.2
(Deficit)/surplus for the year	10.4	(60.5)	(50.1)	4.1	0.5	4.6
Cash generated from operations			33.4			16.9
Cash and borrowings						
Cash and cash equivalents			114.7			109.9
Loans			(94.4)			(88.3)
			20.3			21.6
Total assets less current liabilities			509.9			475.4
Total reserves			304.6			351.4



Overview

The University has grown total income by £31.8 million to £336.2 million in 2019. Income, excluding capital grants and other significant items, has grown by £19.0 million to £315.5 million (2018: £296.5 million) as a result of growth in all major categories of income.

The University generated a surplus, before significant items not influenced by day-to-day operations, of £10.4 million (2018: £4.1 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 (£74.6 million increase in 2019) to the University's liability arising from changes in discount rates and other actuarial assumptions.
- A number of items that would previously have been reported within the Statement of Total Recognised Gains and Losses are now recognised through the Statement of Comprehensive Income and Expenditure. These include new endowments and unrealised gains/(losses) on investments.

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 deficit for the year that are not influenced by day-to-day operations and the impact of capital grant income on the deficit for the year.

FINANCIAL REVIEW CONTINUED

Other significant items

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

Capital grant income	Capital grant income has increased from £7.9 million to £19.9 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. As a result of major projects being completed in 2019, SFC capital grants have increased by £8.1 million and other capital grants have increased by £5.7 million. These increases are explained further below.
New endowments	New endowments totalling £0.8 million were received in 2019.
Gains on disposal of fixed assets	A gain on disposal of fixed assets totalling £16.3 million arose following the disposal of the former Jordanhill Campus. The gain of £1.4 million in 2018 arose from the disposal of residential accommodation.
Gains on investments	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 2019 (2018: £2.6 million).
Unrealised (deficit)/surplus on revaluation of investment property	A deficit of £0.5 million arose on the revaluation of investment property (2018: surplus of £0.2 million).
Restructuring costs	During the year, the University incurred £1.0 million (2018: £2.4 million) of one-off costs restructuring a number of its Departments and Schools. These costs are reflected within salary costs.
Project costs	In 2019 the University incurred £1.7 million (depreciation and amortisation) on the development of a new Student Information Management System (2018: £0.8 million of expenditure (£0.6 million salary and £0.2 million other operating expenses)).
USS pension deficit provision adjustments	The University's commitment to fund the deficit recovery contributions are reflected in the Financial Statements as a liability. This liability varies from year to year due to changes in the projected pensionable payroll but can also change significantly when there is a change in the level of recovery contributions. As a result of the schedule of contributions set out in the USS 2017 valuation, the USS provision has increased from £34.7 million to £110.2 million. The impact on salary costs in 2019 was a charge of £74.8 million (2018: £0.5 million). A new deficit recovery plan has been agreed post year end, which will result in a reduction in the provision of £46.0 million in 2020, assuming that all other key assumptions, including the discount rate, remain unchanged. This adjustment will be reflected in the 2020 Financial Statements.
McCloud/GMP	Salary costs include £2.1 million of past service costs relating to two specific pension issues, McCloud and Guaranteed Minimum Pension (GMP) equalisation. Two legal rulings in the past year have had implications for pension benefits and hence for future pension liabilities.

FINANCIAL REVIEW CONTINUED

Other factors impacting Total Comprehensive Income

Actuarial gain in respect of the pension scheme

The Total Comprehensive Income and Expenditure for the year on page 40 is after reflecting an actuarial gain of £3.3 million (2018: £22.2 million) in respect of the Strathclyde Pension Fund. Details of this gain are outlined in Note 23.

Balance Sheet overview

Investment in estate

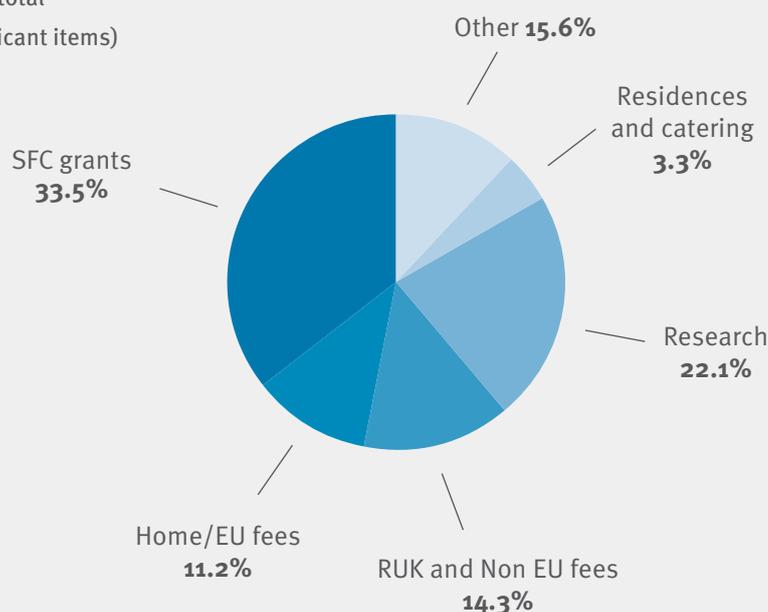
Investment in the University estate in 2019 totalled £35.7 million. Further details are provided in 'Investments in Infrastructure' below. Notwithstanding significant capital investment in the past 10 years, the University's cash less borrowings totalled £20.3 million at the year end.

Improvement in total assets

The strength of the University's Balance Sheet can be seen from the level of its total assets less current liabilities, which rose by 7.2% to £509.9 million. Whilst total reserves decreased by £46.8 million to £304.6 million, they were adversely impacted by the movement on the USS pension provision. As indicated in Notes 19 and 28, a new deficit recovery plan has been agreed post year end, which will result in a reduction in the provision of £46.0 million and return total reserves to almost 2018 levels. With cash balances of £114.7 million (2018: £109.9 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 £335.4 million.



FINANCIAL REVIEW CONTINUED

Income continued

Income, excluding one off items and capital grants, has risen by £19.0 million to £315.5 million, an increase of 6.4%.

Key movements include:

SFC Grants up £11.3 million (11.2%)

Income from SFC grants increased by £11.3 million to £112.5 million in 2019. Some £8.1 million of the increase is attributable to higher capital grant income with a further £2.9 million growth in grants for teaching, research and innovation.

Capital grant income includes £8.0 million of funding recognised in 2019 following the completion and commissioning of the Combined Heat and Power Energy Centre and District Energy Network.

The main teaching grant rose by £1.4 million following a 1.8% increase in grants for core teaching and additional funded places.

The increase of £1.5 million in funding for research and innovation included one-year allocations totalling £0.9 million arising from Barnett consequentials, which SFC allocated through increases to the Research Excellence Grant and University Innovation Fund.

Tuition fee income up £4.6 million (4.9%)

Income from credit bearing courses has risen by £5.3 million (6.6%). Income from Scottish students increased by £1.3 million, RUK students by £0.8 million and non-EU students by £3.4 million. This was offset partially by a decrease in non-credit bearing income.

Research income up 7.4% to £74.0 million

The University continues to benefit from its investments in strategic staffing and research infrastructure, with research income growing by £5.1 million compared to the prior year. Underlying research income increased by £6.8 million (10.5%) to £72.0 million. This was offset partially by a decrease of £1.7 million in capital grant income to £2.0 million. Research income has grown from a number of sources in 2019, with the most notable increases arising from UK Research and Innovation, UK Industry, UK Government and International funders.

FINANCIAL REVIEW CONTINUED

Expenditure

Expenditure before one-off items has risen by £24.7 million to £325.0 million, an increase of 8.2%.

Key movements include:

**Underlying salary costs up
£11.8 million (6.8%)**

Underlying salary costs have increased by £11.8 million to £184.7 million, representing 57% of total underlying expenditure. 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 pension costs, which have increased at a higher rate than underlying wages and salaries due to USS pension contributions increasing from 18.0% to 19.5% from 1 April 2019 and an increase of £0.7 million in the current service cost in respect of the Strathclyde Pension Fund from £4.5 million to £5.2 million.

**Other operating expenses
up £10.0 million (10.3%)**

Other operating expenses before one-off items have increased by 10.3% to £107.2 million. This increase includes higher expenditure on research grants and contracts (£2.1 million), premises (£1.6 million), scholarships (£1.5 million), commercial activities (£1.1 million) and student recruitment (£0.5 million).

**Depreciation and
amortisation up
£3.2 million (11.6%)**

The increase in depreciation and amortisation costs from £27.5 million to £30.7 million is attributable to buildings depreciation and amortisation being £3.9 million, and £0.2 million higher following investments in infrastructure. These increases are offset by a reduction of £0.9 million in equipment depreciation, largely due to research.

FINANCIAL REVIEW CONTINUED

Investments in infrastructure

In the past 10 years, we have made significant investments 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 the installation of a state-of-the-art district energy system, significant refurbishment and transformation of existing buildings on campus to facilitate greater collaboration and enhance the student experience.

Ongoing projects include the Learning and Teaching hub, the AFRC HIVES Project, the Wolfson Biomedical project and the National Manufacturing Institute for Scotland (NMIS).

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 2019 totalled £35.7 million – major projects included:

Centre for Strathclyde Sport

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 provides leading-edge facilities where sporting excellence can thrive, side-by-side with exercise and recreational sport. The distinctive new building delivers a combination of wet and dry sports facilities and academic facilities. This provides a step change in the quality and range of facilities and activities provided by the University and therefore significantly enhances 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 £2.4 million in 2019.

Combined heat and power and district energy network

Work has been completed on the installation of a state-of-the-art district energy system including a combined heat and power (CHP) engine, which has revolutionised the campus' energy production and efficiency, significantly cutting carbon emissions.

CHP technology has allowed us to generate part of our electricity needs on site. The heat derived from the generation process is 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 was completed in late 2018. Capital additions during the year totalled £2.2 million.

FINANCIAL REVIEW CONTINUED

Investments in infrastructure continued

Learning and teaching hub

Strathclyde students are set to benefit from a new £60 million learning and teaching 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 started on site in October 2018 for completion in the second half of 2020. Capital additions during the year totalled £14.9 million.

AFRC HIVES Project

This project involves extending the existing AFRC building at Inchinnan to accommodate a state-of-the-art experimental, environment-controlled closed die, open die and isothermal hydraulic press with a manipulator and associated furnaces. It is designed to address the needs of a broad range of industrial sectors, in particular: aerospace, automotive, marine and energy (nuclear, oil & gas, and renewables). The new equipment will enable the Centre to lead in a wider range of forging research to address industry's needs. This will support UK leading edge suppliers and flow the resulting innovation and productivity down through the UK's forging supply chains, enhancing the UK's economic standing.

The proposed extension to the north of the building will expand the workshop space to accommodate the new equipment and will allow the AFRC to establish the Future Forge capability. This will considerably enhance the AFRC and the University of Strathclyde's reputation as a world-class centre for metal forming and forging. The cost for this expansion is £8.7 million and, when combined with the equipment cost (£7.6 million), the overall project value will be £16.3 million.

The works started on site in March 2019 and will be completed in February 2020. Costs incurred on the extension during the year totalled £2.4 million.

FINANCIAL REVIEW CONTINUED

Investments in infrastructure continued

Wolfson Biomedical Project

This project constitutes the £15.5 million redevelopment of the Wolfson Building, transforming the existing infrastructure into a state-of-the-art facility to support the activities of the department of Biomedical Engineering to meet future teaching and research needs and support the department's growth targets over the next five years. The redevelopment includes new research and teaching laboratories, increased office accommodation for staff and students and new student social and engagement spaces.

Biomedical Engineering has established an international reputation for research that translates from bench-to-bedside, with particular expertise in the areas of medical diagnostics and devices, rehabilitation engineering, and cell and tissue engineering.

Research-led teaching within the Department is educating the next generation of undergraduate and postgraduate biomedical engineers to tackle the health technology challenges of the future. The provision of outstanding research and teaching facilities will help to facilitate an improved experience for students and staff. The transformation of these facilities will help the University to retain its competitive advantage in biomedical engineering across the sector, nationally and globally and enable the department to stay at the forefront of research and teaching that is geared to meet the challenges of the 21st century.

The works started on site in January 2019 and will be completed in April 2020. Costs incurred during the year totalled £6.2 million.

Ramshorn Church - Alterations for the Confucius Model Institute

This project constitutes the refurbishment of the Grade A listed former Ramshorn Church to provide a dedicated facility to host the Confucius Institute for Scotland's Schools (CISS), which supports the national coordination of the Confucius programme in Scottish school education. In addition, the building will serve as a Chinese cultural centre that will reach out beyond the university campus to the heart of Scottish communities. It will enable CISS to set new and higher objectives, particularly in terms of providing excellence in teacher education for Hanban and local teachers across the UK and beyond.

With the inclusion of exhibition, performance and meeting space, the new building will act as a hub for Sino-Scottish relations in the heart of Glasgow's Merchant City and be of benefit to the people of Glasgow and Scotland as a whole.

The value of the project is £2.4 million. The works started on site in December 2018 and were completed in July 2019.

FINANCIAL REVIEW CONTINUED

Investments in infrastructure continued

National Manufacturing Institute for Scotland (NMIS)

The National Manufacturing Institute for Scotland is an initiative to establish an industry-led international centre of manufacturing expertise where research, industry and the public sector work together to transform skills, productivity and innovation to attract investment and make Scotland a global leader in advanced manufacturing.

It will increase productivity by reducing barriers to innovation, stimulate investment and increase manufacturing competitiveness, catalyse job creation and strengthen supply chain links, inspire and attract talent and equip current and future workforces with the skills they and businesses need. NMIS will work with manufacturing businesses of all sizes and multiple sectors, providing benefits across the whole of Scotland. The services and support that NMIS will provide will be shaped by industry and will include elements such as a skills academy; Digital Factory 2050, and collaborative R&D space.

NMIS will be located on a 130-acre site on Abbotsinch Road, close to the University of Strathclyde's Advanced Forming Research Centre (AFRC) at Inchinnan and next to Glasgow International Airport. The site is owned by Renfrewshire Council and the underpinning infrastructure is being delivered through Renfrewshire's Glasgow Airport Investment Area project, funded through the Glasgow City Region City Deal.

The site will be at the heart of the Advanced Manufacturing Innovation District Scotland, encompassing existing manufacturing sites and facilities nearby to create an internationally recognised centre for innovation, research and advanced manufacturing.

NMIS is a £65 million investment in Scotland's manufacturing future, supported by the Scottish Government.

The project is currently in the detail design stage. Works will start on site in March 2020 and will be completed in November 2021. Costs incurred during the year totalled £0.5 million.

FINANCIAL REVIEW CONTINUED

Net funds and cash flow

At 31 July 2019 net funds totalled £20.3 million (2018: £21.6 million). Whilst £33.4 million of cash was generated from operations, expenditure on tangible and intangible assets (net of capital grants received and disposal proceeds) totalled £34.6 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 and consider future opportunities.

During the year the University obtained unsecured loans totalling £11.1 million from the Scottish Funding Council University Financial Transactions Programme to provide additional funding for strategic estates developments.

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 £10.8 million. Given that the University paid a total of £131.3 million to trade creditors during the year, the amount outstanding at the year end represents 30 days (2018: 30 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 uncertainty around the UK's withdrawal from the European Union, and the potentially significant impact on the Higher Education Sector, has continued throughout the current year. The University has two groups reviewing the potential outcomes from the UK's withdrawal. The Strathclyde EU Exit Working and Advisory Group focuses on the potential medium term impacts on government policy and the student experience. This work is augmented by the Brexit Business Continuity Group, which focuses on the short term potential issues with regard to active research, education and knowledge exchange awards, student experience, staff concerns and supply chain. The University's Executive Team closely monitors the key outputs from both groups. While we cannot predict what the outcome of the ongoing discussions might be, we are actively working to minimise any adverse impact on staff or students. Our key focus is on continuing to be a leading international technological university.

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, with a focus on research intensity and student numbers.

Our future capital investments are driven by the development of our next five year vision, Vision 2025. We have ambitious growth plans, underpinned by continued strong financial governance, with a focus on delivering a first class experience for our growing student population.

G Hastings

Treasurer

28 November 2019

S Wallace

Chief Financial Officer

28 November 2019

Statement of Corporate Governance and Internal Control

INTRODUCTION

The University's corporate governance arrangements are informed by best practice and by the Scottish Code of Good Higher Education Governance. Throughout 2018/19, the University complied with all provisions of the revised (2017) Scottish Code of Good Higher Education Governance, except where compliance depends on changes to the University's Statutes that are in progress but require Privy Council approval.

The University continued to make preparations for implementation of the Higher Education Governance (Scotland) Act 2016. During 2019/20, the University will complete and submit to the Privy Council the necessary amendments to its Charter and Statutes, 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 composed of twenty-four members drawn from the University's external and internal communities, the 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 members appointed by the Students' Association, a member of Glasgow City Council, the

Principal and the Vice-Principal. The composition of Court will be adjusted to comply with the requirements of the Higher Education Governance (Scotland) Act 2016 by the beginning of the 2020/21 academic year.

In addition to the members of Court and the University Secretary, members of the University Executive Team were invited to attend meetings during 2018/19, to facilitate accurate and efficient communication. 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 2018 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. Court has adopted a Code of Conduct for its members which is set out in the Handbook for Members of Court. The University maintains a Register of Interests of Court members and relevant senior officers which is publicly available for inspection on the University's website.

Court met on five occasions during 2018/19 and, between meetings, members were kept informed by electronic means of any significant issues affecting the University. In addition, in May 2019 Court held a stakeholder meeting in public, in compliance with paragraph 43 of the Scottish Code of Good Higher Education Governance.

Court consults with Senate on any decisions affecting academic matters, as required by the University Statutes. Much of Court's detailed work is initially handled by standing committees of 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 to the Executive Team, as required. These include an Estates Committee and a Staff Committee, both of which include Court members within their membership. See below for more details on both Court Committees and Strategic and Compliance Committees.

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.

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

In the opinion of Court, the University of Strathclyde complied with all the principles and provisions of the 2017 Scottish Code of Good Higher Education Governance, except where compliance depends on changes to the University's Statutes that are in progress but require Privy Council approval.

The University is making a number of changes to its governing instruments, primarily in order to ensure compliance with the Higher Education Governance (Scotland) Act 2016. Changes to the Charter and Statutes require Privy Council approval. This process will be completed before the commencement of the 2020/21 academic year.

One area of compliance with the Code also depends on these proposed changes to the Statutes:

- 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).*

Currently, 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. Proposed revisions will bring the Statutes into line with paragraph 26 of the Code, once Privy Council approval has been secured.

In terms of paragraph 19 of the Code, the University Court has one case of exceptional time served on Court, beyond nine years. Mr Ronnie Cleland served for five years as Vice-Convener of Court. The University's current Ordinances, under which Mr Cleland was appointed, state that terms of office spent as Vice-Convener are in addition to the normal terms of office of a lay member of Court (these Ordinances which are to be changed as part of the amendments to the University's governing instruments to comply with the 2016 Act). Mr Cleland was re-appointed during 2018-19 to complete his terms of office as a lay member of Court, in order to retain skills that are not represented elsewhere in the Court – in particular, but not limited to, specialist expertise in staff/HR issues. This was discussed and approved by the Court Membership Group (CMG, the University's Nominations Committee equivalent) and Court. CMG noted that "the current Vice-Convener's contribution to Court and more widely within the University was very significant and that the retention of his particular experience and skills on Court was highly desirable".

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.

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. 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, and conducts its business through regular meetings.

Standing Committees of Court

Court Business Group 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.

Court Membership Group 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. It performs the role of a nominations committee, in terms of the Scottish Code of Good Higher Education Governance.

Remuneration Committee 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.

Appointments to the Remuneration Committee are made on the basis of particular skills and experience. The terms of reference do not preclude the appointment of non-lay members of Court. 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.

In the context of Court's most recent externally-facilitated effectiveness review and the revision of the Scottish Code of Good HE Governance, in 2017-18 the University Court reviewed the membership, terms of reference and operation of the Remuneration Committee and 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. This review established that:

- Remuneration Committee's decision-making is informed and guided by a number of underpinning principles, approved by Court; and
- 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.

Committee Structure continued

Standing Committees of Court continued

Audit and Risk Committee	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.
Enterprise and Investment Committee	The Enterprise and Investment Committee’s role is to review commercial investment proposals and make recommendations on investments in companies with appropriate connections to the University (for example, created by the University’s staff and students), as well as license deals and other commercial joint ventures.
Statutory Advisory Committee on Safety and Occupational Health	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

Estates Committee	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. Its membership includes members of Court.
Staff Committee	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. Its membership includes members of Court.
Information Strategy Committee	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.
Research and Knowledge Exchange Committee	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.
Education Strategy Committee	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

Quality Assurance Committee	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 2018/19, the Corporate Risk Register was reviewed by Court at its November 2018 and May 2019 meetings. 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 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 2019, 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 12 months from the approval of these Financial Statements 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 2019 and up to the date of signing the Annual Report and Financial Statements.

G Hastings

Treasurer

28 November 2019



Statement of Primary Responsibilities of the University Court

General

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

Court's Primary Responsibilities 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 terms 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 the University Secretary and to ensure that he or she has separate lines of accountability for the provision of services to the Court, 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;
- To provide leadership in equality and diversity across all protected characteristics, assuming responsibility for the University's strategy and policy on equality and diversity.

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 European 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 Nine Principles of Public Life in Scotland (which incorporate the original seven "Nolan Principles" drawn up by the Committee on Standards in Public Life);
- To ensure that procedures are in place within the University for dealing with internal grievances, conflicts of interest and public interest disclosure.

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

We have audited the financial statements of the University of Strathclyde (the University) for the year ended 31 July 2019 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 28. 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 2019 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 2 to 32, 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 Higher Education Institutions

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 Higher Education Institutions.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the 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 34 and 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.

Statutory Auditor
Glasgow

2 December 2019

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

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 2019

	Note	2019 £000	2018 £000
Income			
Funding Council grants	2	112,505	101,168
Tuition fees and education contracts	3	99,367	94,755
Research grants and contracts	4	74,012	68,898
Other income	5	44,901	36,242
Investment income	6	2,368	1,662
Donations and endowments	7	3,063	1,689
Total income		336,216	304,414
Expenditure			
Staff costs	8	187,887	175,903
Staff costs: movement on USS provision	8	74,813	450
Other operating expenses	10	107,184	97,415
Depreciation and amortisation	10	32,403	27,506
Interest and other finance costs	9	2,415	2,758
Total expenditure	10	404,702	304,032
(Deficit)/surplus before other gains and losses		(68,486)	382
Gain on disposal of fixed assets	11	16,341	1,393
Gain on investments	11	2,555	2,577
Unrealised (deficit)/surplus on revaluation of investment properties	11	(501)	228
(Deficit)/surplus for the year		(50,091)	4,580
Other comprehensive income			
Actuarial gain in respect of pension scheme	23	3,254	22,180
Total comprehensive income and expenditure for the year		(46,837)	26,760
Represented by:			
Endowment comprehensive income for the year		2,746	1,980
Unrestricted comprehensive income and expenditure for the year		(49,583)	24,780
		(46,837)	26,760

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

The accompanying notes and policies on pages 46 to 85 form part of these financial statements.

Statement of Changes in Reserves

for the year ended 31 July 2019

	Income and Expenditure Account		Total
	Endowment £000	Unrestricted £000	£000
Balance at 1 August 2017	33,092	291,571	324,663
Surplus from the income and expenditure statement	1,980	2,600	4,580
Other comprehensive income	-	22,180	22,180
Total comprehensive income for the year	1,980	24,780	26,760
Balance at 31 July 2018	35,072	316,351	351,423
Surplus/(deficit) from the income and expenditure statement	2,746	(52,837)	(50,091)
Other comprehensive income	-	3,254	3,254
Total comprehensive income for the year	2,746	(49,583)	(46,837)
Balance at 31 July 2019	37,818	266,768	304,586

Balance Sheet

as at 31 July 2019

	Note	2019 £000	2018 £000
Non-current assets			
Intangible assets	12	3,198	3,370
Tangible assets	13	391,643	377,057
Investments	14	49,700	45,771
		444,541	426,198
Current assets			
Surplus assets for disposal	15	387	16,740
Stock		322	334
Debtors: - amounts falling due within one year	16	28,902	22,544
- amounts falling due after more than one year	16	25,055	-
Cash and cash equivalents	22	114,686	109,906
		169,352	149,524
Creditors: amounts falling due within one year	17	(104,011)	(100,282)
Net current assets		65,341	49,242
Total assets less current liabilities		509,882	475,440
Creditors: amounts falling due after more than one year	18	(89,274)	(83,323)
Pension provisions	19	(115,622)	(40,294)
Other provisions	19	(400)	(400)
Total net assets		304,586	351,423

Balance Sheet

as at 31 July 2019 continued

	Note	2019 £000	2018 £000
Represented by:			
Restricted reserves			
Income and Expenditure reserve – endowments	20	37,818	35,072
Unrestricted reserves			
Income and Expenditure reserve – unrestricted		266,768	316,351
Total reserves		304,586	351,423

The accompanying notes and policies on pages 46 to 85 form part of these financial statements.

The financial statements were approved by the University Court on 28 November 2019, and signed on its behalf by:

Professor Sir J McDonald
Principal and Vice-Chancellor

G Hastings
Treasurer

S Wallace
Chief Financial Officer

Statement of Cash Flows

for the year ended 31 July 2019

	2019 £000	2018 £000
Net cash inflow from operating activities		
(Deficit)/surplus for the year	(50,091)	4,580
Adjustment for non-cash items		
Depreciation	30,176	26,919
Amortisation	2,227	587
Gain on investments	(2,555)	(2,577)
Unrealised deficit/(surplus) on revaluation of investment properties	501	(228)
Decrease/(increase) in stocks	12	(47)
Increase in debtors	(614)	(4,111)
Increase/(decrease) in creditors	12,638	(776)
Increase in pension provision	77,816	758
Adjustment for investing or financing activities		
Investment income	(2,035)	(1,662)
Interest payable	2,415	2,758
New endowments	(849)	(60)
Gain on disposal of fixed assets	(16,341)	(1,393)
Capital grant income	(19,927)	(7,864)
Net cash inflow from operating activities	33,373	16,884
Cash flows from investing activities		
Proceeds from sale of tangible assets	1,617	4,734
Proceeds from sale of non-current asset investments	9,631	10,421
Capital grant receipts	13,428	6,475
Investment income	2,036	1,658
Payments to acquire tangible assets	(47,602)	(48,801)
Payments to acquire intangible assets	(2,055)	(1,040)
New non-current investments	(11,005)	(11,307)
	(33,950)	(37,860)

Statement of Cash Flows

for the year ended 31 July 2019 continued

	Note	2019 £000	2018 £000
Cash flows from financing activities			
Interest paid		(1,658)	(1,701)
Endowment cash received		849	60
New unsecured loans		11,100	1,253
Repayments of amounts borrowed		(4,934)	(4,827)
		5,357	(5,215)
Increase/(decrease) in cash and cash equivalents	22	4,780	(26,191)
Cash and cash equivalents at 1 August	22	109,906	136,097
Cash and cash equivalents at 31 July	22	114,686	109,906

Notes to the Financial Statements

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 and all performance-related conditions have been 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). USS is 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 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 and 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, 23 and 28.
- 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

	2019 £000	2018 £000
Recurrent grants		
General Fund – Teaching	66,104	64,747
General Fund – Research and Innovation	25,848	24,357
Capital grants	12,193	4,081
Total recurrent grants	104,145	93,185
Specific grants		
Strategic funding	6,056	5,472
Ring-fenced grants funded by Scottish Government	2,304	2,511
Total specific grants	8,360	7,983
	112,505	101,168

Income from capital grants includes £8,000,000 in respect of capital grants released from deferred income in 2019 (2018: £Nil).

Included within deferred income are the following grants that have been received but which had not been recognised in income at 31 July as performance conditions had not yet been met:

	2019 £000	2018 £000
Capital grants	-	8,000
Strategic funding	2,194	2,997

3. Tuition fees and education contracts

	2019 £000	2018 £000
Scotland home domicile fees	32,202	30,904
EU domicile fees	5,519	5,770
RUK domicile fees	4,742	3,968
Non-EU domicile fees	43,217	39,779
Non-credit bearing course fees	5,868	6,945
Education contracts	2,087	1,414
Other contracts	5,732	5,975
	99,367	94,755

4. Research grants and contracts

	2019 £000	2018 £000
UK Research and Innovation	21,714	17,700
UK based charities	4,465	4,742
European Commission	6,338	6,781
Other grants and contracts	39,537	36,005
Capital grants	1,958	3,670
	74,012	68,898

Income from capital grants includes £Nil in respect of capital grants released from deferred income in 2019 (2018: £Nil).

Included within deferred income are the following grants that have been received but which had not been recognised in income at 31 July as performance conditions had not yet been met:

	2019 £000	2018 £000
Capital grants- government	860	-
Revenue grants - government	11,563	7,712
Other revenue grants and non-exchange transactions	10,117	6,164

5. Other income

	2019 £000	2018 £000
Residences and catering	11,018	11,256
Other services rendered	17,974	16,431
Capital grants	5,776	113
Royalty income	530	400
Accommodation charges and rental income	1,831	1,365
Other income	7,772	6,677
	44,901	36,242

Income from capital grants includes £2,181,000 in respect of capital grants released from deferred income in 2019 (2018: £25,000).

Included within deferred income are the following grants that have been received but which had not been recognised in income at 31 July as performance conditions had not yet been met:

	2019 £000	2018 £000
Capital grants - government	2,473	1,638
Capital grants - other	1,264	1,735

6. Investment income

	2019 £000	2018 £000
Investment income on endowments	827	770
Other investment income	382	363
Interest receivable	1,159	529
	2,368	1,662

7. Donations and endowments

	2019 £000	2018 £000
New endowments	849	60
Donations with restrictions	207	409
Unrestricted donations	2,007	1,220
	3,063	1,689

8. Staff costs

	Note	2019 £000	2018 £000
Wages and salaries		144,630	138,519
Social security costs		14,558	13,676
Other pension costs	23	28,699	23,708
		187,887	175,903
Movement on USS provision	19	74,813	450
		262,700	176,353
		2019 Number	2018 Number
Average staff numbers by major category			
Academic		1,117	1,086
Professional Services		1,444	1,344
Research		541	557
Operational		651	638
		3,753	3,625
		2019 £000	2018 £000
Total remuneration of the Principal and Vice-Chancellor including pension contributions was:			
Remuneration		310	304
Benefits in kind		21	14
		331	318
Other payments in lieu of employer's pension contribution		57	55
		388	373

8. Staff costs continued

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.

Non-taxable benefits are not included in the above table. These related wholly to the provision of living accommodation and this is customarily provided in order to facilitate the better performance of the Principal's duties. The value of the benefit is £9,000 (2018: £13,000), which has been calculated using the HMRC methodology that would be applied if the accommodation were considered to be a taxable benefit and is based on a proportion of the original purchase price paid by the University plus the costs to the University of alterations and improvements to the property. The University does not charge rent in respect of the Principal's accommodation. From 1 April 2019, in accordance with updated guidance from HMRC, the benefit has been included in the figures above as a taxable benefit.

The Principal's remuneration is 9.08 times the median pay of University employees (2018: 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.

8. Staff costs continued

	Senior	2019 Other	Total	Senior	2018 Other	Total
£100,001 - £110,000	2	20	22	1	16	17
£110,001 - £120,000	1	10	11	3	9	12
£120,001 - £130,000	2	5	7	3	2	5
£130,001 - £140,000	3	2	5	1	2	3
£140,001 - £150,000	-	-	-	-	2	2
£150,001 - £160,000	1	1	2	1	1	2
£160,001 - £170,000	1	2	3	-	-	-
£200,001 - £210,000	-	1	1	-	-	-
£210,001 - £220,000	-	1	1	2	1	3
£220,001 - £230,000	1	-	1	-	-	-
	11	42	53	11	33	44

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.

	2019 £000	2018 £000
Key management personnel compensation	2,235	2,138
	2019 Number	2018 Number
Number of posts included in key management personnel	13	13

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 Chief People Officer and the Director of Strategy & Policy.

Whilst the number of key management personnel remains as the previous year, three of these posts (Chief Commercial Officer, the Director of Human Resources and the Director of Strategy & Policy) joined the Executive team part way through the previous year and are included for a full year for the first time in 2019.

In 2019, following a change to the University's Statutes, the University created and recruited to the role of Chief People Officer (CPO). The CPO replaced the Director of Human Resources on 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:

	2019 £000	2018 £000
Compensation paid	122	190

	2019 Number	2018 Number
Number of payments	1	2

9. Interest and other finance costs

	2019 £000	2018 £000
Loan interest	1,649	1,614
Net charge on pension scheme	-	549
Finance charge of USS pension deficit	766	595
	2,415	2,758

10. Analysis of expenditure by activity

	Staff costs £000	Other operating expenses £000	Interest and other finance costs £000	2019 total £000	2018 total £000
Academic departments	98,382	16,431	-	114,813	108,659
Academic support services	12,112	8,774	-	20,886	19,114
Research grants and contracts	26,887	22,361	-	49,248	45,351
Administration and central services	21,175	7,880	-	29,055	26,782
General educational expenditure	745	17,639	-	18,384	16,187
Residences and catering	4,131	2,324	-	6,455	5,624
Premises	10,117	18,887	-	29,004	26,669
Other income generating activities	8,353	7,174	-	15,527	14,433
Movement on pension provision	74,813	-	-	74,813	450
Other expenses	5,985	5,714	2,415	14,114	13,257
	262,700	107,184	2,415	372,299	276,526
Depreciation				30,176	26,919
Amortisation				2,227	587
Total per income and expenditure account				404,702	304,032
Other operating expenses include:					
External auditor's remuneration – audit services				68	66
External auditor's remuneration – non-audit services				58	73

11. Other gains and losses

	Note	2019 £000	2018 £000
Gain on disposal of land and buildings		16,341	1,393
Gain on investments		2,555	2,577
Unrealised (deficit)/surplus on revaluation of investment properties	13	(501)	228

12. Intangible assets

	£000
Cost	
At 1 August 2018	4,717
Additions	2,055
Disposals	(2,391)
At 31 July 2019	4,381
Depreciation	
At 1 August 2018	1,347
Amortisation charge	2,227
Disposals	(2,391)
At 31 July 2019	1,183
Net book value at 31 July 2019	3,198
Net book value at 31 July 2018	3,370

13. Tangible assets

	Investment properties £000	Land and Buildings			Equipment £000	Total £000
		Freehold £000	Long leasehold £000	Assets under construction £000		
Cost						
At 1 August 2018	9,857	482,536	12,080	47,409	72,732	624,614
Additions	-	3,592	4	32,098	9,569	45,263
Transfers	-	48,602	1,722	(50,324)	-	-
Revaluation	(501)	-	-	-	-	(501)
Disposals	-	-	-	-	(10,099)	(10,099)
At 31 July 2019	9,356	534,730	13,806	29,183	72,202	659,277
Depreciation						
At 1 August 2018	-	193,914	10,271	-	43,372	247,557
Charge for year	-	19,012	885	-	10,279	30,176
Disposals	-	-	-	-	(10,099)	(10,099)
At 31 July 2019	-	212,926	11,156	-	43,552	267,634
Net book value at 31 July 2019	9,356	321,804	2,650	29,183	28,650	391,643
Net book value at 31 July 2018	9,857	288,622	1,809	47,409	29,360	377,057

13. Tangible fixed assets continued

At 31 July 2019, freehold land and buildings included £30,586,000 (2018: £30,450,000) in respect of freehold land which is not depreciated.

Buildings with a net book value of £327,211,000 and cost of £525,965,000 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.

The investment properties were revalued on the basis of market value at 31 July 2019 by an external valuer, Savills UK Limited, in accordance with Royal Institution of Chartered Surveyors' (RICS) professional standards. The valuer has estimated the fair value of the property on the basis of a number of assumptions regarding the condition of the property and an equivalent yield of 7.65% (2018: 7.61%).

The historic cost of investment properties held at fair value is as follows:

	2019 £000	2018 £000
At 1 August	9,629	-
At 31 July	9,629	9,629

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

	2019 £000	2018 £000
At 1 August	45,771	42,308
Additions	9,459	11,594
Disposals	(8,964)	(11,068)
Increase in market value of investments	1,888	3,224
Increase/(decrease) in cash balances	1,546	(287)
At 31 July	49,700	45,771
Represented by:		
Fixed interest investments (listed)	7,392	7,356
Equities (listed)	34,796	33,776
Cash at bank	3,432	1,886
Spin-out company investments	4,080	2,753
	49,700	45,771

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 activity	Year end
	Holding			
Strathclyde University Incubator Limited	100	Incubator for technology-based business		31/07/19
University of Strathclyde Properties Limited	100		Dormant	31/07/19
Haleno Limited	100		Dormant	31/07/19
SGBS Limited	100		Dormant	31/07/19

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 at 31 July 2018 included £16,353,000 in respect of the land and buildings of the former Jordanhill Campus, which were sold on 1 October 2018. The University will receive proceeds of £32,950,000 over a five-year period. A further property costing £387,000 remains held for disposal in the near future.

16. Debtors

	2019 £000	2018 £000
Amounts falling due within one year:		
Debtors	15,650	14,627
Prepayments and accrued income	13,252	7,917
	28,902	22,544
Amounts falling due after more than one year:		
Prepayments and accrued income	25,055	-
	53,957	22,544

17. Creditors: amounts falling due within one year

	2019 £000	2018 £000
Unsecured loans	5,149	4,934
Creditors	23,337	19,242
Social security and other taxation payable	3,977	3,729
Accruals	15,723	17,960
Deferred income	55,825	54,417
	104,011	100,282

Deferred income

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

	2019 £000	2018 £000
Donations	1,127	1,128
Research grants received on account	31,023	22,351
Grant income	6,791	14,418
Other income	16,884	16,520
	55,825	54,417

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

	2019 £000	2018 £000
Analysis of unsecured loans:		
Due within one year or on demand	5,149	4,934
Due between one and two years	5,186	5,039
Due between two and five years	16,784	15,480
Due in five years or more	67,304	62,804
	94,423	88,257
Due within one year or on demand	(5,149)	(4,934)
Due after more than one year	89,274	83,323

An unsecured bank loan of £81,541,000 (2018: £86,405,000) from the European Investment Bank is repayable by instalments between 1 August 2019 and 5 March 2035 and interest is charged as follows:

- £20 million – 0.482% above the 6 month LIBOR rate
- £20 million – 0.52% 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 unsecured loans totalling £11,100,000 (2018: £Nil) from the Scottish Funding Council University Financial Transactions Programme and interest is charged at 0.25% per annum. One loan for £10,000,000 is repayable by instalments between March 2024 and March 2029. The other loan for £1,100,000 is repayable by instalments between March 2020 and March 2029.

The University has an unsecured interest free loan of £782,000 (2018: £853,000) from the Scottish Funding Council University Carbon Reduction Programme. The balance is repayable by instalments between August 2019 and February 2025.

The University has interest free loans totalling £1,000,000 (2018: £1,000,000) 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.

19. Provisions for liabilities

	Obligation to fund deficit on USS pension £000	Pension enhancements £000	Total pension provisions £000	Other provisions £000	Total £000
At 1 August 2018	34,662	5,632	40,294	400	40,694
Utilised in year	-	(545)	(545)	-	(545)
Additions in year	74,813	294	75,107	-	75,107
Unwinding of discount	766	-	766	-	766
At 31 July 2019	110,241	5,381	115,622	400	116,022

Obligation to fund deficit on USS pension

The obligation to fund the past deficit on the Universities Superannuation Scheme (USS) arises from the contractual obligation with the USS to make deficit payments in accordance with the deficit recovery plan. In calculating this provision, management have estimated future staff levels within the USS scheme for the duration of the contractual obligation and salary inflation. Key assumptions are set out below and further information is provided in Note 23.

A new deficit recovery plan was put in place as part of the 2017 valuation and is set out in the new Schedule of Contributions dated 28 January 2019. This requires payment of 5.0% of salaries over the period 1 April 2020 to 30 June 2034. In the prior year, the deficit payments were 2.1% of salaries up to 31 March 2031.

This significant increase in deficit contributions has given rise to a substantial increase in the deficit provision, from £34.7 million to £110.2 million. Some £72.5 million of this increase is attributable to the change in the deficit contributions contractual commitment. Details of significant one-off pension costs / gains are provided in Note 8 and further details on the 2017 actuarial valuation are set out in Note 23.

The major assumptions used to calculate the obligation are:

	2019	2018
Discount rate	1.62%	2.21%
Salary growth (average inflationary and staff changes over the remainder of the recovery plan)	4.12%	4.25%

19. Provisions for liabilities continued

Since the year end, following the completion of the 2018 actuarial valuation, a new deficit recovery plan has been agreed. This amends the existing deficit recovery plan as set out in the 2017 valuation Schedule of Contributions. This new plan requires deficit payments of 2.0% of salaries from 1 October 2019 to 30 September 2021 and then payments of 6.0% of salaries from 1 October 2021 to 31 March 2028. As at 31 July 2019 and assuming all other assumptions used to calculate the provision remain unchanged, this would have resulted in a revised provision of £64.2 million, a decrease of £46.0 million from the 31 July 2019 provision and a revised charge to the Statement of Comprehensive Income of £28.8 million, compared to the 2019 charge of £74.8 million.

Sensitivity analysis

As set out in the accounting policies, there are some critical judgements made in estimating the obligation to fund the USS deficit. The sensitivity of the principal assumptions used to measure the USS deficit provision are set out below:

Change in assumptions at 31 July 2019	Approximate impact
0.5% p.a. decrease in discount rate	£4.8 million increase
0.5% p.a. increase in discount rate	£4.5 million decrease
0.5% p.a. increase in salary inflation over duration	£4.7 million increase
0.5% p.a. increase in salary inflation year 1 only	£0.5 million increase
0.5% increase in staff changes over duration	£4.7 million increase
0.5% increase in staff changes year 1 only	£0.5 million increase

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 £5,366,000 (2018: £5,617,000) of this liability continues throughout the retirement period and is assessed by independent actuarial valuation. The principal assumptions are a discount rate of 2.0% (2018: 2.8%) and pension increases of 2.2% (2018: 2.1%). The balance of £15,000 (2018: £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	2019 total £000	2018 total £000
At 1 August						
Capital	6,076	24,826	30,902	-	30,902	28,988
Accumulated income	-	2,971	2,971	1,199	4,170	4,104
	6,076	27,797	33,873	1,199	35,072	33,092
New endowments	10	839	849	-	849	60
Investment income	149	677	826	-	826	770
Expenditure	(149)	(459)	(608)	(12)	(620)	(718)
	-	218	218	(12)	206	52
Increase in market value of investments	466	1,219	1,685	6	1691	1,868
At 31 July	6,552	30,073	36,625	1,193	37,818	35,072
Represented by:						
Capital	6,552	26,884	33,436	-	33,436	30,902
Accumulated income	-	3,189	3,189	1,193	4,382	4,170
	6,552	30,073	36,625	1,193	37,818	35,072
Analysis by type of purpose						
	Unrestricted permanent £000	Restricted permanent £000	Total permanent £000	Restricted expendable £000	2019 total £000	2018 total £000
Scholarship	2,115	9,699	11,814	228	12,042	10,599
Chair	-	1,802	1,802	-	1,802	1,842
Entrepreneurship	-	7,263	7,263	370	7,633	7,160
Lectureships	-	1,208	1,208	254	1,462	1,373
Prizes	-	1,527	1,527	-	1,527	1,417
Research support	-	6,880	6,880	224	7,104	6,819
General	4,437	1,694	6,131	117	6,248	5,862
	6,552	30,073	36,625	1,193	37,818	35,072

20. Endowments continued

Major Endowments

Restricted permanent endowments include four major individual funds:

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

The 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 2018	6,424	1,727	2,382	1,840
Investment income	225	41	56	41
Expenditure	(225)	(20)	(56)	(41)
Increase/(decrease) in market value of investments	437	40	(51)	(35)
At 31 July 2019	6,861	1,788	2,331	1,805

	2019 £000	2018 £000
Analysis by asset:		

Current and non-current asset investments	30,082	29,461
Cash and cash equivalents	7,736	5,611

	37,818	35,072
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Cash and cash equivalents comprise:

Cash held at Investment Manager	3,049	1,743
Cash held at University	4,687	3,868

	7,736	5,611
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21. Capital commitments

	2019 £000	2018 £000
Commitments contracted at 31 July	39,165	5,426

Of the above commitments £3,938,000 (2018: £1,689,000) will be funded from external sources.

22. Reconciliation of net funds/(debt)

	£000			
Net funds at 1 August 2018	21,649			
Movement in cash and cash equivalents	4,780			
New unsecured loans	(11,100)			
Repayments of amounts borrowed	4,934			
Net funds at 31 July 2019	20,263			

	At 1 August 2018 £000	Cash flow £000	Non-cash changes £000	At 31 July 2019 £000
Cash and cash equivalents	109,906	4,780	-	114,686
Loans due within one year	(4,934)	4,934	(5,149)	(5,149)
Loans due after more than one year	(83,323)	(11,100)	5,149	(89,274)
	21,649	(1,386)	-	20,263

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	2019 £000	2018 £000
The pension costs for the year were:			
USS		21,264	19,153
SPF		7,389	4,505
STSS		46	50
	8	28,699	23,708

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.

		2019 £000	2018 £000
Outstanding contributions at 31 July were:			
USS		1,965	1,679
SPF		346	287
STSS		4	4
		2,315	1,970

23. Pension schemes continued

Universities Superannuation Scheme

The employer contributions charged to the Statement of Comprehensive Income and Expenditure were £21,264,000 (2018: £19,153,000).

The latest available full actuarial valuation of the Retirement Income Builder Section of the Scheme was at 31 March 2017 ('the valuation date'), which was carried out using the projected unit method. As at the year end a valuation as at 31 March 2018 was underway but not yet complete. This valuation was completed post year end as detailed in Notes 19 and 28.

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

The 2017 valuation was the fourth 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 £60.0 billion and the value of the scheme's technical provisions was £67.5 billion, indicating a shortfall of £7.5 billion and a funding ratio of 89%.

The key financial assumptions used in the 2017 valuation are described below. More detail is set out in the Statement of Funding Principles, which sets out the policies of the trustee of USS for ensuring that the statutory funding objective is met.

Discount rate (forward rates)	Years 1-10: CPI – 0.53% reducing linearly to CPI – 1.32%
	Years 11-20: CPI + 2.56% reducing linearly to CPI + 1.70% by year 21
	Years 21 +: CPI + 1.70%
Pension increase (CPI)	Term dependent rates in line with the difference between the Fixed Interest and Index Linked yield curves, less 1.3% p.a.

The main demographic assumption used relates to the mortality assumptions. These assumptions are based on 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:

Mortality base table	Pre-retirement: 71% of AMCoo (duration 0) for males and 112% of AFCoo (duration 0) for females. Post retirement: 96.5% of SAPS S1NMA "light" for males and 101.3% of RFVoo for females.
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.

23. Pension schemes continued

The current life expectancies on retirement at age 65 are:

	2019	2018
Males currently aged 65	24.6 years	24.5 years
Females currently aged 65	26.1 years	26.0 years
Males currently aged 45	26.6 years	26.5 years
Females currently aged 45	27.9 years	27.8 years

The funding position of the scheme has since been updated on an FRS102 basis:

	2019	2018
Scheme assets	£67.4bn	£63.6bn
FRS 102 liabilities	£79.2bn	£72.0bn
FRS 102 total scheme deficit	£11.8bn	£8.4bn
FRS 102 total funding level	85%	88%

Key assumptions used are:

	2019	2018
Discount rate	2.44%	2.64%
Pensionable salary growth	n/a	n/a
Price inflation (CPI)	2.11%	2.02%

Details of the University's contractual obligation to make deficit payments in accordance with the deficit recovery plan are set out in Note 19.

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 2019.

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

	2019	2018
Rate of increase of salaries (see Note a)	3.6%*	3.6%**
Rate of increase in pensions in payment (see Note b)	2.4%	2.4%
Discount rate	2.1%	2.8%

(a) * The salary increase assumption is 3.2% for the year to 31 July 2020, 2.5% for the year to 31 July 2021, 2.7% for the year to 31 July 2022 and 3.6% thereafter.

** 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.

(b) The rate of increase in pensions at 31 July 2019 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:

	2019	2018
Current Pensioners		
Males	20.7 years	21.4 years
Females	22.9 years	23.7 years
Future Pensioners		
Males	22.2 years	23.4 years
Females	24.6 years	25.8 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.

	2019 £000	2018 £000	2017 £000
Equities	152,651	140,756	145,522
Bonds	56,364	48,385	28,694
Property	23,485	24,192	22,546
Cash	2,348	6,598	8,198
	234,848	219,931	204,960

Weighted average expected rate of return	2.1%	2.8%	2.6%
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	2019 £000	2018 £000
Analysis of the amount shown in the Balance Sheet for SPF defined benefit obligation		
Scheme assets	234,848	219,931
Less share of assets not recognised under FRS 102	(9,288)	(17,063)
Scheme liabilities	(225,560)	(202,868)
Surplus in the scheme – defined benefit obligations	-	-

Analysis of the amount included in operating expenditure		
Current service cost	5,201	4,505
Past service cost (including curtailments)	2,188	-
Current service cost	7,389	4,505

Analysis of the amount charged to interest payable		
Interest cost	5,696	5,841
Expected return on assets	(5,696)	(5,292)
Net charge to other finance income	-	549

23. Pension schemes continued

	2019 £000	2018 £000
Analysis of Other Comprehensive Income for SPF pensions:		
Actual return less expected return on scheme assets	11,045	12,291
(Losses)/gains on scheme liabilities	(15,566)	26,952
plus movement in actuarial gain not recognised under FRS 102	7,775	(17,063)
Total gain recognised via Statement of Comprehensive Income and Expenditure during year	3,254	22,180

	2019	2018
History of experience gains and losses		
Difference between the expected and actual returns on assets (£000)	11,045	12,291
Percentage of scheme assets	4.7%	5.6%
(Losses)/gains on scheme liabilities (£000)	(15,566)	26,952
Percentage of scheme liabilities	(6.9%)	13.3%
Total amount recognised in Other Comprehensive Income (£000)	3,254	22,180
Percentage of scheme liabilities	1.4%	10.9%

The contribution rate payable by the University was 29.5% of pensionable salary (2018: 22.7% until 31 March and thereafter 29.5%). In addition, the University made additional cash contributions totalling £Nil (2018: £626,000).

23. Pension schemes continued

	2019 £000	2018 £000
Movements in present value of defined benefit obligations		
Present value of obligations at 1 August	202,868	225,597
Current service cost (net of member contributions)	5,201	4,505
Past service cost (including curtailments)	2,188	-
Interest cost	5,696	5,841
Actuarial losses/(gains)	15,566	(26,952)
Contributions by members	774	655
Estimated unfunded benefits paid	(149)	(161)
Benefits paid	(6,584)	(6,617)
At 31 July	225,560	202,868
	2019 £000	2018 £000
Movements in fair value of plan assets		
At 1 August	219,931	204,960
Expected return on plan assets	5,696	5,292
Actuarial gains	11,045	12,291
Contributions by the employer	3,986	3,350
Contributions in respect of unfunded benefits	149	161
Contributions by members	774	655
Unfunded benefits paid	(149)	(161)
Benefits paid	(6,584)	(6,617)
At 31 July	234,848	219,931

The above movements in plan assets and liabilities result in a net asset of £9,288,000 at 31 July 2019 (2018: £17,063,000). 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

Guaranteed Minimum Pension (GMP)

GMP was accrued by members of the Strathclyde Pension Fund (SPF) between 6 April 1978 and 5 April 1997. The value of GMP is inherently unequal between males and females for a number of reasons, including a higher retirement age for men and GMP accruing at a faster rate for women. However overall equality of benefits was achieved for public service schemes through the interaction between scheme pensions and the Second State Pension. The introduction of the new Single State Pension in April 2016 disrupted this arrangement and brought uncertainty over the ongoing indexation of GMPs, which could lead to inequalities between men and women's benefits.

As an interim solution, GMP rules were changed so that the responsibility for ensuring GMPs kept pace with inflation passed in full to pension schemes themselves for members reaching state pension age between 6 April 2016 and 5 April 2021. This new responsibility leads to increased costs for schemes (including SPF) and hence scheme employers.

The Strathclyde Pension Fund actuary has carried out calculations in order to estimate the impact that the GMP indexation changes will have on the liabilities of the University for financial reporting purposes. The estimate assumes that the permanent solution eventually agreed will be equivalent in cost to extending the interim solution to all members reaching state pension age from 6 April 2016 onwards. This increased liability has been reflected in the annual accounts as a past service cost, totalling £856,000.

These numbers are approximate estimates based on employer data as at 31 March 2017 and will be revised at the upcoming valuation.

McCloud Judgement

When the Local Government Pension Scheme (LGPS) benefit structure was reformed in 2015, transitional protections were applied to certain older members close to normal retirement age. Following legal proceedings argued in the McCloud and Sargeant cases, the Court of Appeal found that the transitional provisions introduced in the judges and firefighters' pension schemes in 2015 gave rise to unlawful age discrimination. The UK Government requested leave to appeal this finding but this was refused by the Supreme Court on 27 June 2019. The UK Government has formally accepted the Court's decision and, recognising the implications for all public sector pension schemes, is engaging with relevant representatives to agree how the discrimination will be remedied.

The Government Actuary's Department (GAD) has estimated that the impact of the McCloud/Sargeant rulings for the LGPS as a whole could be to increase active member liabilities by 3.2%, based on a given set of actuarial assumptions. The Strathclyde Pension Fund actuary has adjusted GAD's estimate to better reflect the University's local assumptions, particularly employer level salary increases and fund level withdrawal rates. The University's approach has therefore been to include an estimated cost of the impact of the McCloud judgement in the 2019 financial statements. This impact has been recognised as a past service cost for 2019 of £1,277,000. These numbers are high level estimates based on a combination of Scheme and Fund level calculations and therefore depend on various key assumptions which may or not be borne out in practice. Further uncertainties affecting the final cost relate to the number of members who will ultimately be affected and the precise way in which they will be compensated.

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 latest 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 2016. The results of the valuation were used to set employer contribution rates from 1 September 2019 to 31 March 2023 inclusive.

The valuation showed total scheme liabilities for service to 31 March 2016 of £22.8 billion and notional assets of £21.5 billion, giving a notional past service deficit of £1.3 billion.

The level of contribution paid by employing institutions was 17.2% (2018: 17.2%) of members' salaries.

24. Financial instruments

	Note	2019 £000	2018 £000
Financial assets			
Measured at fair value through income and expenditure:			
Investments (fixed investments listed)	14	7,392	7,356
Investments (equities listed)	14	34,796	33,776
Investments (cash)	14	3,432	1,886
Measured at cost less impairment:			
Spin-out company investments	14	4,080	2,753
Measured at undiscounted amount receivable:			
Trade and other debtors	16	53,957	22,544
Financial liabilities			
Measured at undiscounted amount payable:			
Loans payable falling due within one year	17	5,149	4,934
Loans payable falling due after more than one year	18	89,274	83,323
Trade and other creditors	17	98,862	95,348

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 2019, the University provided USSA with rent free accommodation and contributed £1,616,000 (2018: £1,512,000) as a grant towards its activities. The balance due from the University at 31 July was £23,000 (2018: £10,000).

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

	2019 HE Childcare £000	2019 HE Discretionary £000	2019 total £000	2018 total £000
Allocation received in the year	944	477	1,421	1,375
Expenditure	(944)	(477)	(1,421)	(1,374)
Balance carried forward	-	-	-	1
Repayable as clawback	-	-	-	1

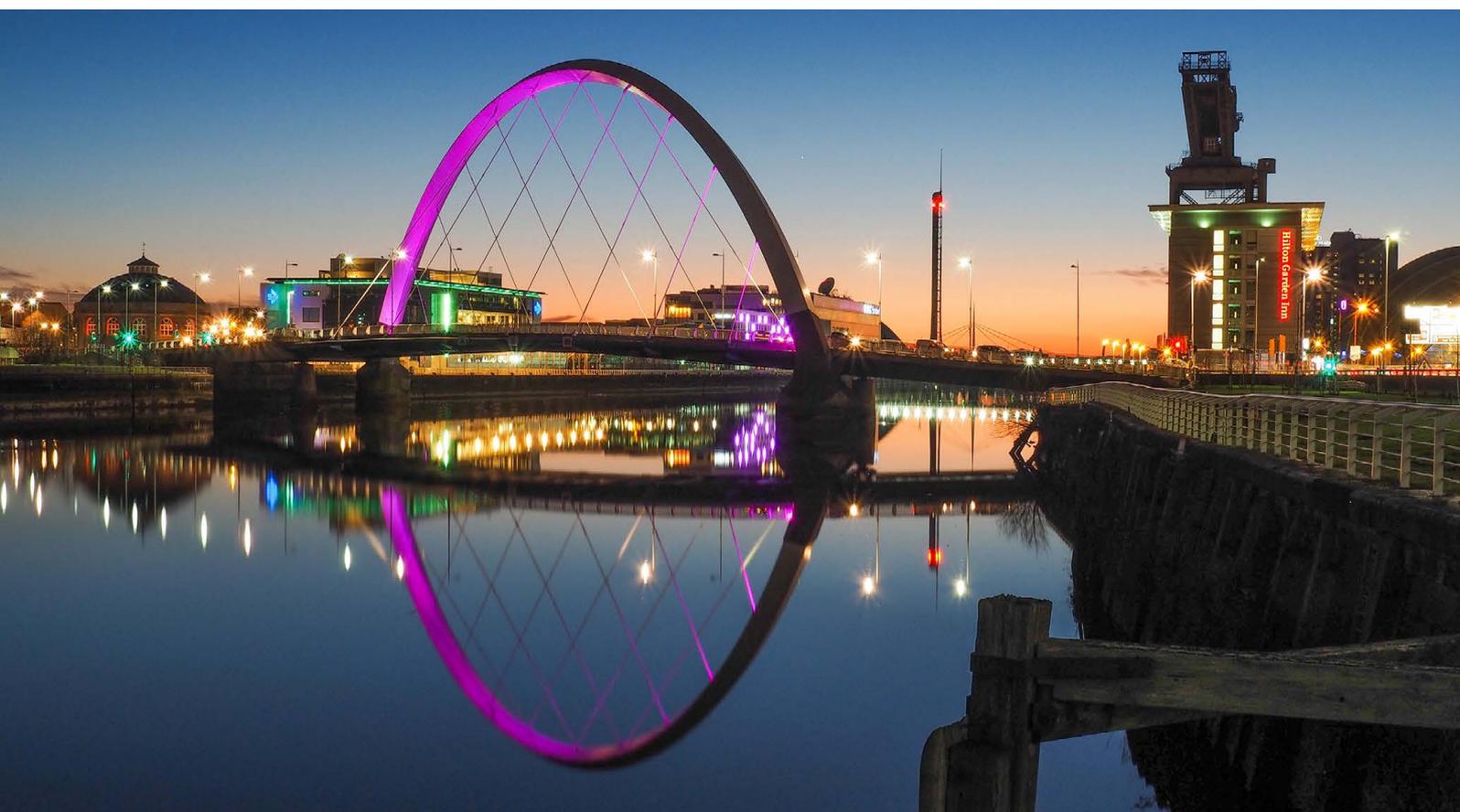
These grants are available solely for students. The University acts only as paying agent. The grants and related disbursements are therefore excluded from the Statement of Comprehensive Income and Expenditure.

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 2018 - 31 March 2019, 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/>.

28. Events after the reporting period

As set out in Note 19 in respect of the USS pension scheme, a new Schedule of Contributions based on the 2018 actuarial valuation has been agreed since 31 July 2019. This results in a decrease of £46.0 million in the provision for the obligation to fund the deficit on the USS pension from £110.2 million to £64.2 million, assuming that all other key assumptions, including the discount rate, remain unchanged. This adjustment will be reflected in the University's Financial Statements for the year ended 31 July 2020.



Court Membership 2018/19

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 (Until 24/02/19)
Councillor R Kelly (From 25/02/19)

Senate

Mrs A Corrigan
Dr K Hamilton
Dr Neil McGarvey
Dr Katharine Mitchell
Ms G Pallis

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

Mr M Crilly

Ms T Farukuoye (Until 07/06/19)
Ms K Burns (From 10/06/19)

Co-opted by Court (Lay Members)

Dr 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)

Ms B Wyllie

Professional Services Staff

Mrs H Stenhouse

The following individuals were appointed as members of Court on 1 August 2019. They were not members of Court during the financial year to 31 July 2019 but were members of Court on the day the Financial Statements were approved:

Mr S Ingledew, Mr P Young.

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/>

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 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 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

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www.strath.ac.uk

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