

report & financial statements

2006



officers of the university

Chancellor

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

Principal and Vice-Chancellor

Professor Andrew Hamnett
DL MA DPhil Hon DSc CChem FRSC FRSE

Convener of Court

Archibald Hunter
DL CA DUniv

Vice-Principal

Professor James Love
BA MSc PhD

Pro Vice-Principal

Professor Neal Juster
BSc PhD CEng FIMechE

Deputy Principals

Professor Rae Condie
BSc BA MSc PhD FRSA

Professor Allister Ferguson
BSc MA PhD CPhysP FInstP FRSE

Professor James McDonald
BSc MSc PhD CEng MIEE MIEEE

Professor Kenneth Miller
LLB LLM PhD

Secretary

Peter West
OBE DL MA DUniv DPhil

Librarian and Head of Information Resources Directorate

Professor Derek Law
MA DUniv FInfSc FKC FLA FRSE



financial statements for the year to 31 July 2006

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financial highlights

and other key statistics

	2006	2005
	£000	£000
Summary Income and Expenditure Account		
Funding Council grants	85,883	79,956
Tuition fees and education contracts	51,097	48,343
Research grants and contracts	29,398	26,290
Other income	24,676	24,545
Total income	191,054	179,134
Gain on disposal of fixed assets	2,244	2,238
Total expenditure	(184,371)	(173,084)
Transfer from accumulated income within specific endowments	76	169
Surplus for the year	<u>9,003</u>	<u>8,457</u>

Summary Balance Sheet

Net assets	<u>184,945</u>	<u>167,934</u>
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Summary Cashflow

Increase in net funds	<u>12,432</u>	<u>18,134</u>
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	2006	2005	2004	
Research Income (£000)	<u>29,398</u>	<u>26,290</u>	<u>24,826</u>	
Staff Numbers (average)	<u>3,574</u>	<u>3,496</u>	<u>3,456</u>	
Full and part-time graduating students (headcount)				
Undergraduate	Home/EU	15,013	14,822	14,809
	Overseas	328	321	322
Postgraduate instructional	Home/EU	7,249	6,720	6,622
	Overseas	1,078	1,001	1,138
Postgraduate research	Home/EU	1,007	1,040	1,106
	Overseas	429	403	411
Total	Home/EU	<u>23,269</u>	<u>22,582</u>	<u>22,537</u>
	Overseas	<u>1,835</u>	<u>1,725</u>	<u>1,871</u>
		<u>25,104</u>	<u>24,307</u>	<u>24,408</u>
Average tariff score of undergraduate entrants	<u>364</u>	<u>393</u>	<u>355</u>	

Undergraduates entering employment or further study

	% employed or studying	
	Strathclyde	Benchmark
2004/05	94.5	94.3
2003/04	94.6	94.3
2002/03	93.3	93.8

Access to Higher Education

	2004/05 (%)	
	Strathclyde	Benchmark
Entrants from:		
States Schools	92.7	83.8
NS-SEC classes 4-7	26.7	25.6
Low participation neighbourhoods	20.7	12.2

The Financial Statements for the year ended 31 July 2006, which have been approved by the Court, represent the consolidated results of the University and its subsidiaries (the Group).

Financial highlights

The Group's results for the year ended 31 July 2006 are summarised on page 2 of the Financial Statements. Income from continuing operations rose by £11.9M to £191.1M whilst expenditure rose by £11.3M to £184.4M. After gains on disposal of fixed assets of £2.2M (2004/05 £2.2M) highlighted below, the Group generated a surplus for the year of £9.0M (2004/05 £8.5M).

The growth in income is largely attributable to an increase in Funding Council grants, tuition fees and income from research grants and contracts. In addition to a £2.1M increase in the recurrent grant, the University has benefited significantly from the growth in Initial Teacher Education numbers in the Faculty of Education and from funding of the WestCHEM and Scottish Universities Physics Alliance research pooling initiatives.

The University has achieved further growth from overseas tuition fees (£1.7M) and non-credit bearing course fees (£0.4M).

In addition to further increases in research grant and contract activity, the University has again benefited from the payment by the Research Councils of transitional funding prior to the introduction of Full Economic Costing. The transitional funding attributable to the University in 2005/06 is £1.0M (2004/05 £0.5M).

In November 2003, the University experienced a fire on its Jordanhill Campus. The University agreed settlement of a contingent element of the insurance proceeds in 2005/06 and a gain of £1.1M is included within the gain on disposal along with the profit of £0.5M on the disposal of two spin-out companies and other sundry gains on disposal.

Overall, reserves have increased by £9.3M of which £3.0M represents an increase in the General Reserve. The most significant reserve movements are a £4.5M rise in Revenue Balances due to income generation and expenditure restraint by departments and an increase of £1.7M in the Building Reserve as additional funds are retained to fund the University's Estates Development programme.

Investment performance

With the exception of the portfolio of endowment investments in stocks and shares transferred from the University of Strathclyde Foundation in 2001, the University's portfolios are managed by Newton Investment Management. At the year end, the University's investment of specific and general endowments, including the Hunter Endowment, managed by Newton Investment Management, had a market value of £13.4M. In addition to its endowments, the University has a general portfolio of investments which are intended to be held for use on a continuing basis in the activities of the University. These are included within fixed asset investments and, at the year end, had a market value of £5.3M.

In reviewing the performance of Newton Investment Management, the performance of each portfolio has been compared to the return on the relevant World Market Index (WMI):

	2005/06		2004/05	
	Return on Portfolio	WMI	Return on Portfolio	WMI
General portfolio	12.8%	13.7%	23.1%	22.7%
Main endowment fund	12.1%	13.1%	24.0%	22.4%
Hunter endowment fund	11.1%	10.7%	22.8%	17.4%

Investment performance continued

The portfolio transferred from the University of Strathclyde Foundation is managed separately by Tilney Investment Management and had a market value of £4.2M at the year end. The benchmark index for this portfolio is the Association of Private Client Investment Managers and Stockbrokers (APCIMS) Balanced Portfolio Index.

The return on the portfolio compared to the benchmark was:

	2005/06		2004/05	
	Return on Portfolio	APCIMS	Return on Portfolio	APCIMS
Endowment portfolio	12.6%	11.6%	18.4%	20.0%

As this portfolio is required to deliver a significant and reliable level of income, it follows a relatively defensive strategy.

The investment performance and strategy of each portfolio is regularly reviewed.

Cashflow

The University generated a net increase in funds during the year of £12.4M. The principal factors impacting net funds are an inflow from operating activities of £10.1M, a net inflow from returns on investments and servicing of finance of £2.9M and a net outflow of capital expenditure and financial investment of £0.7M. Further details are given in Notes 24-28 of the Financial Statements.

Treasury management

The University actively manages its cash flow according to the Treasury Management Code of Practice approved by Court. Available funds are deposited in a variety of Treasury accounts, ranging from overnight to six months deposits. The University has a facility to deposit surplus cash up to the value of the long term loan on a back-to-back basis.

Current and future developments

During the year the detailed planning of the University's Estates Strategy has continued. In January, Court took the decision to work towards a single, city centre campus by 2010. Consequently, the proposed expenditure within the Estates Strategy was increased to £247M, to include £52M for facilities for the Faculty of Education on the city centre campus.

In 2005/06, a total of £13.4M was incurred on additions to the Estate. Major projects included £2.2M in the Thomas Graham building to provide research laboratories for WestCHEM, the postgraduate research school resulting from the pooling of the research activities of the Chemistry Departments of Glasgow and Strathclyde universities; £2.1M in the Curran building on the relocation of the Law Library and archive material plus improving infrastructure; £1.8M refurbishment of the Lord Hope building to provide a modern academic environment for the Law School; £1.7M in the Royal College to improve circulation and space utilisation and to provide new research laboratories for WestCHEM and the Department of Electronic and Electrical Engineering together with innovative teaching rooms; £1.3M in the Graham Hills building to complete a teaching cluster and provide improved accommodation for the Department of Geography and Sociology; and £0.9M improving infrastructure, modernising laboratories and teaching facilities in the James Weir building.

Staff and students with disabilities

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

The University has an ongoing programme of expenditure to ensure it meets the requirements of the Disability Discrimination Act. Funds of £2.6M have been made available for this purpose.

Payment of creditors

The University attempts to ensure good relations with suppliers by making payment within 30 days of the invoice date or receipt of goods, whichever is later, as required by the Late Payment of Commercial Debts (Interest) Act, 1998. At the year end, the University had trade creditors outstanding of £5.0M. Given that the University paid a total of £63.5M to trade creditors during the year, the amount outstanding at the year end represents 29 days, (2004/05 26 days). During the year no interest was paid in relation to the Late Payment of Commercial Debts (Interest) Act, 1998.

Conclusion

A surplus for the year of £9.0M is clearly a satisfactory result but realistically it must be seen as a very necessary generation of internal funds to face the challenges ahead. Pressure on faculty reserves will follow from the ongoing effects of the 2006 salary settlement and the recent utility cost increases. Even more significantly, realisation of the Estate Development ambitions will result in reduced income from cash balances and greatly increased depreciation and maintenance costs.

Inevitably these adjustments will move the Income and Expenditure account from surplus into deficit over the next few years and the challenge will be to effectively prioritise investment decisions while managing budgets to ensure that deficits do not exceed affordable levels.

The prospects for medium term Government support can only be described as uncertain until the result of the ongoing spending review is announced next year but, even in such a climate, the University must continue to invest effectively in its estate to ensure that it remains an attractive destination for both home and overseas students.

Again I wish to record my appreciation of the highly professional services provided by the Director of Finance and his staff.

T J Monaghan, Treasurer
18 November 2006

Court

The University is committed to exhibiting best practice in all aspects of corporate governance. This summary describes the manner in which the University has applied the principles set out in Section 1 of the Combined Code on Corporate Governance issued by the Financial Reporting Council (FRC) in June 1998 and revised in July 2003. The purpose of this summary is to help the reader of the Financial Statements understand how the principles of the Combined Code have been applied.

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

There is a process for identifying, evaluating and managing the University's significant risks. This has been formalised in line with the internal control guidance for directors in the 1998 Combined Code as amended by the British Universities Finance Directors Group and as updated in 2003. The University's processes combine both a top-down and bottom-up approach to identification of risk. Strategic risks are identified and considered at various levels e.g. by the Senior Management Team, Budget Procedures Group and, thereafter, are considered by the University's Management Committee (UMC), Audit Committee and Court. Similarly, every area of activity, both academic and administrative, reporting to UMC, is required to incorporate into its annual report its own risk assessment. The risk assessments are the subject of discussion at UMC and are summarised into a formal report from UMC to Court.

The Court has a majority of lay members and includes members of academic staff, non-teaching staff and a student member. It meets six times a year and much of its detailed work is initially handled by several committees, including a Staff Committee, a Remuneration Committee, a Court Membership Group, an Audit Committee, an Estates Strategy Committee and a Business Ventures Group. All of these committees are formally constituted, with terms of reference approved by Court, are chaired by lay members and report formally to Court on a regular basis. Court is undertaking an exercise of self assessment in Autumn 2006.

In respect of its strategic and development responsibilities the Court receives recommendations and advice from the UMC, which reports to both Court and Senate, Senate being the body responsible for the University's academic affairs. The UMC is a formally constituted committee with the Principal in the chair and includes the primary budget holders of the University. The Convener of Court and the Treasurer attend its meetings.

The UMC also recommends to the Court the University's annual revenue and capital budgets and monitors performance in relation to the approved budgets.

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

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

The Audit Committee meets four times a year, with the internal auditors in attendance at all meetings and the External Auditors in attendance at two meetings per year. The Committee considers detailed reports together with recommendations for the improvement of the University's systems of internal control and management's responses and implementation plans. It also receives and considers reports from the Funding Council and other relevant bodies as they affect the University's business and monitors adherence to the regulatory requirements. Whilst senior executives attend meetings of the Audit Committee as necessary, they are not members of the Committee nor do they have voting rights. Committee members meet on their own and with the External Auditors for independent discussions.

The Court has previously considered its operating practices and has compared them with those advocated by the Committee of University Chairmen Guide for Members of Higher Education Governing Bodies in the UK (published in November 2004). The Court is satisfied that the University has a high level of compliance with this Guide and has adapted its practices to meet them as far as its Statutes so permit except that the University Court's current membership is 28 rather than 25. This was reviewed again in 2005 and the Court has reiterated that it does not wish to reduce its size any further at present. Court is also currently considering how best to review its effectiveness, and that of the Senate and other committees.

The University Court has adopted a Code of Conduct for its members which is set out in the Handbook for Members of Court and maintains a register of interests of members of the Court.

Court has in place a range of financial and non-financial performance measures related to the University's strategic objectives. A detailed schedule of reports is in place to ensure that the main strands of University strategy are reviewed on an annual basis and in a consistent manner.

The UMC receives reports setting out key performance and risk indicators and considers possible risk control issues brought to its attention by early warning mechanisms which are embedded within the operational units and reinforced by risk awareness training. Issues of concern, potential risks both University-wide and more localised are then formally reported by UMC to the governing body. UMC also receives reports from the Statutory Advisory Committee on Safety and Occupational Health, and the Audit Committee receives reports from internal audit, both of which include recommendations for improvement. The Audit Committee's role in this area is one of a high level review of the arrangements for internal control. The emphasis is on obtaining the relevant degree of assurance and not merely reporting by exception. Court keeps issues of control and risk under review and receives reports thereon from both the UMC and the Audit Committee. At its October 2006 meeting Court carried out the annual assessment for the year ended 31 July 2006 by considering documentation from the UMC, and taking account of events since 31 July 2005. Court is of the view that there is an ongoing process for identifying, evaluating and managing the University's significant risks that has been in place throughout the year ended 31 July 2006 and up to the date of the annual report and accounts.

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

A S Hunter
Convener of Court
18 November 2006

the university court

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

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

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

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

The Court has taken reasonable steps to:

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

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

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

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

independent auditors' report

to the University Court

of the University of Strathclyde

We have audited the Group and University financial statements for the year ended 31 July 2006 which comprise the Consolidated Income and Expenditure Account, Statement of Consolidated Total Recognised Gains and Losses, Group and University Balance Sheets, Consolidated Cash Flow Statement, and the related notes 1 to 33. These financial statements have been prepared under the accounting policies set out therein.

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

Respective responsibilities of the University Court and Auditors

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

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

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

We also report to you if, in our opinion the information given in the Treasurer's Report is not consistent with the financial statements, if the University has not kept proper accounting records or if we have not received all the information and explanations we require for our audit.

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

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

Basis of audit opinion

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

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

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

Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of affairs of the Group as at 31 July 2006, and of the surplus of the Group's income over expenditure and the Group's cash flows for the year then ended and have been properly prepared in accordance with the Statement of Recommended Practice: Accounting for Further and Higher Education;
- funds from the Scottish Funding Council, grants and income for specific purposes and from other restricted funds administered by the University have, in all material respects, been applied only for the purposes for which they were received; and
- income has, in all material respects, been applied in accordance with the Further and Higher Education (Scotland) Act 1992 and, where appropriate, with the Financial Memorandum dated 1 January 2006 with the Scottish Funding Council.

Ernst & Young LLP
Registered Auditor
Glasgow
18 November 2006

income and expenditure account

for the year ended 31 July 2006

	Note	2006 £000	2005 £000
Income			
Funding Council grants	2	85,883	79,956
Tuition fees and education contracts	3	51,097	48,343
Research grants and contracts	4	29,398	26,290
Other income	5	20,910	21,672
Endowment and investment income	6	3,766	2,873
Total income		<u>191,054</u>	<u>179,134</u>
Expenditure			
Staff costs	7	112,597	106,213
Other operating expenses	8	61,593	56,715
Depreciation	12	9,352	9,251
Interest payable	9	829	905
Total expenditure	10	<u>184,371</u>	<u>173,084</u>
Surplus on continuing operations after depreciation of tangible fixed assets at cost		6,683	6,050
Gain on disposal of fixed assets	11	2,244	2,238
Surplus on continuing operations after depreciation of tangible fixed assets at cost and before and after taxation		<u>8,927</u>	<u>8,288</u>
Transfer from accumulated income within specific endowments		76	169
Surplus for the year retained within reserves	21	<u>9,003</u>	<u>8,457</u>

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

statement of consolidated total recognised

gains and losses

for the year ended 31 July 2006

	Note	2006 £000	2005 £000
Surplus on continuing operations after taxation		8,927	8,288
Unrealised surplus on revaluation of fixed asset investments	13, 21	288	742
Appreciation of endowment asset investments	20	1,235	2,481
New endowments	20	20	29
Total recognised gains relating to the year		<u>10,470</u>	<u>11,540</u>
Reconciliation			
Opening reserves and endowments		115,807	104,267
Total recognised gains and losses for the year		10,470	11,540
Closing reserves and endowments		<u>126,277</u>	<u>115,807</u>

balance sheet

as at 31 July 2006

	Note	Group		University	
		2006 £000	2005 £000	2006 £000	2005 £000
Fixed assets					
Tangible assets	12	148,878	141,184	148,878	141,184
Investments	13	5,918	5,433	5,918	5,433
		<u>154,796</u>	<u>146,617</u>	<u>154,796</u>	<u>146,617</u>
Endowment assets	14	20,762	19,583	20,762	19,583
Current assets					
Surplus assets for disposal		776	776	776	776
Stock		383	317	383	317
Debtors	15	10,471	14,258	10,475	14,262
Cash at bank and in hand		59,062	47,646	59,056	47,640
		<u>70,692</u>	<u>62,997</u>	<u>70,690</u>	<u>62,995</u>
Creditors: amounts falling due within one year	16	(36,912)	(34,885)	(36,910)	(34,883)
Net current assets		<u>33,780</u>	<u>28,112</u>	<u>33,780</u>	<u>28,112</u>
Total assets less current liabilities		<u>209,338</u>	<u>194,312</u>	<u>209,338</u>	<u>194,312</u>
Creditors: amounts falling due after more than one year	17	(15,301)	(16,349)	(15,301)	(16,349)
Provisions for liabilities and charges	18	(9,092)	(10,029)	(9,092)	(10,029)
Net assets		<u>184,945</u>	<u>167,934</u>	<u>184,945</u>	<u>167,934</u>

balance sheet

as at 31 July 2006 continued

		Group		University	
	Note	2006 £000	2005 £000	2006 £000	2005 £000
Deferred capital grants	19	58,668	52,127	58,668	52,127
Endowments					
Specific	20	16,628	15,779	16,628	15,779
General	20	4,134	3,804	4,134	3,804
		<u>20,762</u>	<u>19,583</u>	<u>20,762</u>	<u>19,583</u>
Reserves					
Revaluation reserve	21	1,164	1,020	1,164	1,020
General reserve	21	10,458	7,294	10,458	7,294
Other reserves	21	93,893	87,910	93,893	87,910
Total reserves		<u>105,515</u>	<u>96,224</u>	<u>105,515</u>	<u>96,224</u>
		<u>184,945</u>	<u>167,934</u>	<u>184,945</u>	<u>167,934</u>

The Financial Statements were approved by the University Court on 18 November 2006, and signed on its behalf by:

A S Hunter
Convener of Court

T J Monaghan
Treasurer

Professor A Hamnett
Principal and Vice-Chancellor

cash flow statement

for the year ended 31 July 2006

	Note	2006 £000	2005 £000
Cash flow from operating activities	24	10,148	12,294
Returns on investments and servicing of finance	25	2,931	1,971
Capital expenditure and financial investment	26	(647)	3,869
Financing	27	(988)	(525)
Increase in cash in the period	28	<u>11,444</u>	<u>17,609</u>
Reconciliation of net cash flow to movement in net funds			
Increase in cash in the period		11,444	17,609
Cash inflow from new unsecured loan		-	(175)
Cash outflow to repay loans		988	700
Change in net funds resulting from cash flows	28	<u>12,432</u>	<u>18,134</u>
Net funds at 1 August	28	34,300	16,166
Net funds at 31 July	28	<u>46,732</u>	<u>34,300</u>

1. Principal Accounting Policies

Basis of preparation

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

Basis of accounting

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

Basis of consolidation

The consolidated Financial Statements consolidate the Financial Statements of the University and its subsidiary undertakings for the financial year to 31 July. In accordance with FRS2, the activities of the Students' Association have not been consolidated because the University does not control those activities. All Financial Statements are prepared to 31 July.

Recognition of income

Income for tuition fees is recognised in the period for which it is received and includes all fees chargeable to students or their sponsors. The cost of any fees waived by the University is included as expenditure in note 8.

Income from donations, research grants, contracts and other services rendered is included to the extent of the related expenditure incurred during the year, together with any related contributions received towards overhead costs. All income from short-term deposits and endowments is credited to the income and expenditure account in the period in which it is earned. Income for specific endowments not expended in the year in accordance with the restrictions of the endowment is transferred from the income and expenditure account to specific endowments.

Recurrent grants from the Funding Council are recognised in the period in which they are receivable.

Non recurrent grants from the Funding Council or other bodies received in respect of the acquisition or construction of tangible fixed assets are recorded as deferred capital grants and are amortised over the expected useful lives of the assets.

Income from other non recurrent grants from the Funding Council is included to the extent of the related expenditure incurred during the year, together with any related contributions received towards overhead costs.

Pension schemes

The University is a member of three defined benefit pension schemes, all of which require contributions to be made to separately administered funds. The schemes are externally funded and contracted out of the State Second Pension and provide benefits based on final pensionable salary.

The funds are valued regularly by professionally qualified actuaries, the rates of contributions payable being determined on the advice of the actuaries. Actuarial valuations of the Universities Superannuation Scheme and the Strathclyde Pension Fund are performed every three years using the Projected Unit Method. The notional fund of the Scottish Teachers Superannuation Scheme is revalued every five years by the Government actuary.

1. Principal Accounting Policies continued**Pension schemes** continued

The University is unable to identify its share of the underlying assets and liabilities of these schemes on a consistent and reasonable basis and, therefore, as required by FRS 17 'Retirement Benefits' accounts for the schemes as though they were defined contribution schemes. As a result, the amount charged to the Income and Expenditure account represents the contributions payable to the schemes in respect of the accounting period.

Foreign currencies

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

Land and buildings

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

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

Finance costs which are directly attributed to the construction of land and buildings are capitalised as part of the cost of those assets.

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

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

Buildings which are acquired with the aid of specific grants are capitalised and depreciated as above. The related grants are treated as deferred capital grants and released to the income and expenditure account over the expected useful lives of the buildings.

Maintenance

The cost of routine corrective maintenance is charged to the income and expenditure account in the period that it is incurred.

Equipment

Equipment, including personal computers and software, costing less than £10,000 per individual item or group of related items, is written off in the year of acquisition. All other equipment is capitalised.

Capitalised equipment is stated at cost and depreciated over its expected useful economic life, as follows:

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

1. Principal Accounting Policies continued

Equipment continued

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

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

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.

Investments

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

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

Stock

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

Provisions

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.

Reserves

The reserves of the University are analysed into five distinct categories:

- | | | |
|----------------------|---|---|
| General Reserves | - | are the reserves generated by the University from the operation of its core activities |
| Revaluation Reserves | - | are reserves reflecting the uplift of Fixed Asset Investments from historical cost to market value. |
| Revenue Balances | - | are a combination of departmental research funds, special funds and net unexpended budget balances which departments are permitted to carry forward for future application. |

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1. Principal Accounting Policies continued

Reserves continued

- Building Reserves - are the reserves held for capital projects.
- Other Earmarked Reserves - are reserves internally earmarked for specific purposes, primarily in respect of long term maintenance requirements.

Cash flows and liquid resources

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

Liquid resources include sums on short-term deposits with recognised banks and building societies and government securities.

2. Funding Council grants

	2006 £000	2005 £000
SFC Higher Education recurrent teaching grant	56,175	54,751
Funding for increased STSS contributions	254	246
SFC recurrent research grant	17,506	16,843
Learning and Teaching Infrastructure Fund grants	74	-
Released from deferred capital grants	2,215	1,618
Other SFC grants	9,659	6,498
	<u>85,883</u>	<u>79,956</u>

3. Tuition fees and education contracts

UK and EU fees	22,150	21,862
Non EU fees	16,218	14,553
Non credit bearing course fees	8,970	8,556
Education contracts	3,382	3,048
Other contracts	377	324
	<u>51,097</u>	<u>48,343</u>

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	2006	2005
	£000	£000
4. Research grants and contracts		
Research Councils	11,204	9,070
UK based charities	2,761	3,048
European Commission	3,143	2,503
Other grants and contracts	11,471	10,186
Released from deferred capital grants	819	1,483
	<u>29,398</u>	<u>26,290</u>
5. Other income		
Residences and catering	8,251	8,326
Other services rendered	4,321	4,546
Released from deferred capital grants	745	729
VAT recovered	573	466
Royalty income	1,289	1,118
Accommodation charges and rental income	338	432
Other departmental income	3,170	3,595
Donations and subventions	730	845
Other income	1,493	1,615
	<u>20,910</u>	<u>21,672</u>
6. Endowment and investment income		
Income from specific endowment asset investments	646	582
Income from general endowment asset investments	125	108
Interest receivable	2,814	2,034
Investment income	181	149
	<u>3,766</u>	<u>2,873</u>

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7. Staff costs

	2006	2005
	£000	£000
Staff Costs:		
Wages and salaries	93,759	88,521
Social security costs	7,652	7,213
Other pension costs (Note 29)	11,186	10,479
	<u>112,597</u>	<u>106,213</u>
Average staff numbers by major category:	2006	2005
	Number	Number
Academic and academic-related	1,933	1,859
Technical	295	304
Clerical	633	633
Other	713	700
	<u>3,574</u>	<u>3,496</u>
	2006	2005
	£000	£000
Remuneration, excluding employer's pension contributions, of the Principal and Vice-Chancellor was:	<u>169</u>	<u>157</u>

Included within the figures are amounts in respect of benefits-in-kind. The University's contributions to USS are paid at the same rates as for other staff and amounted to £23,000 (2005 £22,000).

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

	2006			2005		
	Senior	Other	Total	Senior	Other	Total
£70,001 - £80,000	1	35	36	3	22	25
£80,001 - £90,000	3	7	10	2	7	9
£90,001 - £100,000	1	5	6	-	4	4
£100,001 - £110,000	-	3	3	1	1	2
£110,001 - £120,000	1	1	2	-	-	-
£140,001 - £150,000	-	1	1	-	-	-
£150,001 - £160,000	-	-	-	1	-	1
£160,001 - £170,000	1	-	1	-	-	-

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

7. Staff costs continued

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

	2006	2005
	£000	£000
Compensation paid	22	-
Pension benefits	172	283
	<u>194</u>	<u>283</u>

8. Other operating expenses

Residences and catering	3,191	3,341
Courses and conferences	4,200	4,511
Consumable and laboratory expenditure	14,273	11,742
Books and periodicals	1,673	1,784
Fellowships, scholarships and prizes	1,619	1,493
Heat, light, water and power	3,177	2,430
Repairs and general maintenance	7,345	4,994
Rates, rents and insurance	2,277	2,100
Grants to University Students Association	1,198	1,118
Research grants and contracts	12,593	11,279
Other services rendered	1,541	1,872
External auditors' remuneration	58	56
External auditors' remuneration in respect of non-audit services	8	14
Other expenses	8,440	9,981
	<u>61,593</u>	<u>56,715</u>

9. Interest payable

Loans not wholly repayable within five years	<u>829</u>	<u>905</u>
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10. Analysis of expenditure by activity

	Staff costs £000	Other operating expenses £000	Interest payable £000	Total £000
Academic departments	64,860	14,273	-	79,133
Academic services	8,737	3,498	-	12,235
Research grants and contracts	11,430	12,593	-	24,023
Residences, catering and conferences	2,918	3,191	-	6,109
Premises	6,415	12,786	-	19,201
Administration	12,336	5,702	-	18,038
Other expenses	5,901	9,550	829	16,280
	<u>112,597</u>	<u>61,593</u>	<u>829</u>	<u>175,019</u>

Depreciation 9,352

Total per income and expenditure account 184,371

The depreciation charge has been funded by:

Deferred capital grants released	3,779
General income	5,573
	<u>9,352</u>

11. Gain on disposal of fixed assets

	2006 £000	2005 £000
Gain on disposal of land and buildings	1,432	1,898
Option payment relating to disposal of land	200	-
Gain on disposal of fixed asset investments	612	340
	<u>2,244</u>	<u>2,238</u>

12. Tangible fixed assets

Group and University	Land and buildings		Equipment £000	Total £000
	Freehold £000	Long Leasehold £000		
Cost				
At 1 August 2005	188,149	6,603	15,367	210,119
Additions	13,132	292	3,622	17,046
Disposals	-	-	(4,764)	(4,764)
At 31 July 2006	<u>201,281</u>	<u>6,895</u>	<u>14,225</u>	<u>222,401</u>
Depreciation				
At 1 August 2005	56,199	3,757	8,979	68,935
Charge for period	6,051	728	2,573	9,352
Disposals	-	-	(4,764)	(4,764)
At 31 July 2006	<u>62,250</u>	<u>4,485</u>	<u>6,788</u>	<u>73,523</u>
Net book value at 31 July 2006	<u>139,031</u>	<u>2,410</u>	<u>7,437</u>	<u>148,878</u>
Net book value at 31 July 2005	<u>131,950</u>	<u>2,846</u>	<u>6,388</u>	<u>141,184</u>

Buildings with a net book value of £91,165,000 and cost of £140,882,000 have been funded in part or in whole from Treasury sources. Should these particular buildings be sold, the University would have to surrender the relevant proceeds to the Treasury or use them in accordance with the Financial Memorandum with the Scottish Funding Council.

13. Investments

	Group and University	
	2006 £000	2005 £000
At 1 August	5,433	4,317
Additions	1,771	888
Disposals	(1,284)	(885)
Appreciation on revaluation	288	742
(Decrease)/increase in cash balances	(290)	371
At 31 July	<u>5,918</u>	<u>5,433</u>

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13. Investments continued

Investments are stated at market value apart from investments made by the Business Ventures Group (BVG) and the Synergy Fund which are stated at the lower of cost and net realisable value. Of the total investments reported £5,145,000 (2005 £4,350,000) relates to listed investments. BVG investments amounted to £319,000 (2005 £338,000) and Synergy investments amounted to £193,500 (2005 £193,500). BVG was set up by the University in 1984 to oversee and provide support for projects emanating from the University's own research activities which are considered to merit commercial development.

The University's principal subsidiary undertakings are:

	<u>% Holding</u>	<u>Main Activity</u>	<u>Year End</u>
University of Strathclyde Properties Limited	100	Property Company	31/7/06
Haleno Limited	100	Property Company	31/7/06
SGBS Limited	100	Property Company	31/7/06

14. Endowment assets

	Group and University	
	2006	2005
	£000	£000
At 1 August	19,583	17,242
Additions	5,146	4,255
Disposals	(5,520)	(4,298)
Appreciation on disposals and revaluation	1,235	2,481
Increase/(decrease) in cash balances	318	(97)
At 31 July	<u>20,762</u>	<u>19,583</u>
Represented by:		
Fixed interest investments (listed)	3,422	3,829
Equities (listed)	13,544	12,292
Bank deposits	214	198
Held within cash and bank	3,582	3,264
Total endowment assets	<u>20,762</u>	<u>19,583</u>
Fixed interest investments and equities at cost	<u>14,127</u>	<u>13,324</u>

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15. Debtors

	Group		University	
	2006 £000	2005 £000	2006 £000	2005 £000
Debtors	8,980	9,099	8,980	9,099
Prepayments and accrued income	1,491	5,159	1,495	5,163
	<u>10,471</u>	<u>14,258</u>	<u>10,475</u>	<u>14,262</u>

16. Creditors: amounts falling due within one year

	Group		University	
	2006 £000	2005 £000	2006 £000	2005 £000
Loans	820	760	820	760
Creditors	10,598	10,262	10,596	10,260
Social security and other taxation payable	2,565	2,394	2,565	2,394
Accruals	7,457	5,593	7,457	5,593
Deferred income	15,472	15,876	15,472	15,876
	<u>36,912</u>	<u>34,885</u>	<u>36,910</u>	<u>34,883</u>

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

	Group and University	
	2006 £000	2005 £000
Unsecured loans - Bank	14,410	15,230
- Synergy Fund	891	1,119
	<u>15,301</u>	<u>16,349</u>
The loans are repayable by instalments as follows:		
Between one and two years	880	820
Between two and five years	3,070	2,850
In five years or more	11,351	12,679
	<u>15,301</u>	<u>16,349</u>

The unsecured bank loan of £14,410,000 (2005 £15,230,000) is repayable by instalments between 1 August 2006 and 31 July 2018 and interest is charged at 0.5% above the Base Rate. The University has recurrent loans totalling £891,000 (2005 £1,119,000) from the Synergy Fund, which are repayable in five years or more. The dates and quantum of repayments are dependent upon the timing and amounts of returns from intellectual property rights generated by the projects funded by these loans.

18. Provisions for liabilities and charges

	Group and University			
	Pensions £000	Other £000	2006 Total £000	2005 Total £000
At 1 August 2005	9,867	162	10,029	9,820
Expenditure in the year	(1,568)	-	(1,568)	(1,019)
Additional provision required in year	513	-	513	1,228
Revaluation adjustment	118	-	118	-
At 31 July 2006	<u>8,930</u>	<u>162</u>	<u>9,092</u>	<u>10,029</u>

Pensions

The University has an obligation in respect of former employees who have retired and for whom an enhanced pension has been provided. This liability is assessed by independent actuarial valuation and continues throughout the retirement period. The principal assumptions are a discount rate of 5.25% (2005 5.0%) and pension increases of 3.0% (2005 2.75%).

Other

Over a number of years the University has made provision to meet the necessary costs of decommissioning at the Scottish Universities Research Reactor Centre. It is expected that expenditure should be fully incurred by November 2007.

19. Deferred capital grants

Group and University	Funding Council £000	Other grants and benefactions £000	Total £000
At 1 August 2005			
Buildings	28,734	19,820	48,554
Equipment	3,054	519	3,573
Total	<u>31,788</u>	<u>20,339</u>	<u>52,127</u>
Cash Receivable			
Buildings	6,351	227	6,578
Equipment	3,142	600	3,742
Total	<u>9,493</u>	<u>827</u>	<u>10,320</u>
Released to income and expenditure			
Buildings	1,646	745	2,391
Equipment	569	819	1,388
Total	<u>2,215</u>	<u>1,564</u>	<u>3,779</u>
At 31 July 2006			
Buildings	33,439	19,302	52,741
Equipment	5,627	300	5,927
Total	<u>39,066</u>	<u>19,602</u>	<u>58,668</u>

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20. Endowments

Group and University	Specific £000	General £000	Total £000
At 1 August 2005	15,779	3,804	19,583
Additions	-	20	20
Appreciation of endowment asset investments	925	310	1,235
Income for year	646	125	771
Expenditure	(722)	(125)	(847)
At 31 July 2006	<u>16,628</u>	<u>4,134</u>	<u>20,762</u>
Representing:			
Fellowships and scholarships funds	2,149	1,192	3,341
Prize funds	1,177	640	1,817
Chair and lectureships funds	3,673	-	3,673
Other funds	9,629	2,302	11,931
	<u>16,628</u>	<u>4,134</u>	<u>20,762</u>

The aggregate accumulated unspent income held within specific endowments at 31 July 2006 was £2,487,000 (2005 £1,804,000).

21. Reserves

Group and University	General reserve £000	Revaluation reserve £000	Other reserves			Total £000
			Revenue balances £000	Building reserves £000	Earmarked reserves £000	
At 1 August 2005	7,294	1,020	32,893	54,510	507	96,224
Surplus retained for the year	3,020	-	4,470	1,666	(153)	9,003
Revaluation	-	288	-	-	-	288
Realised revaluation surplus on sale of investments	144	(144)	-	-	-	-
At 31 July 2006	<u>10,458</u>	<u>1,164</u>	<u>37,363</u>	<u>56,176</u>	<u>354</u>	<u>105,515</u>

22. Capital commitments**Group and University**

	2006	2005
	£000	£000
Commitments contracted at 31 July	<u>3,723</u>	<u>1,245</u>

The University has attracted £1,784,000 (2005 £526,000) of funding from external sources towards projects which are included in the above commitments.

23. Contingent liabilities

The European Court of Justice (ECJ) has ruled that part-time workers have been discriminated against by not being offered membership of company pension schemes. It was ruled that employers' liability should be back dated to 1976. The University made full provision in the Financial Statements to 31 July 2005 for those cases where there is an undisputed obligation and costs have been quantified. There are a number of other cases where the University is awaiting the outcome of test cases which are currently being heard at Employment Tribunals before any likely liability can be determined. Until the appeals process on these cases is complete, it is not possible to quantify the cost of these cases to the University of Strathclyde.

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

	2006	2005
	£000	£000
Surplus before taxation	8,927	8,288
Depreciation	9,352	9,251
Deferred capital grants released to income	(3,779)	(3,830)
Investment income	(3,766)	(2,873)
Net gain on disposal of tangible fixed assets	(2,244)	(2,238)
(Gain)/loss of investments	(226)	46
Interest payable	829	905
(Increase)/decrease in stocks	(66)	27
Decrease/(increase) in debtors	747	(1,383)
Increase in creditors	1,311	3,892
(Decrease)/increase in provisions	(937)	209
Net cash inflow from operating activities	<u>10,148</u>	<u>12,294</u>

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25. Returns on investments and servicing of finance				
		2006	2005	
		£000	£000	
Income from endowments		771	690	
Interest received and investment income		2,995	2,183	
Interest paid		(835)	(902)	
		<u>2,931</u>	<u>1,971</u>	
26. Capital expenditure and financial investment				
Purchase of tangible fixed assets		(16,384)	(9,428)	
Purchase of investments		(1,771)	(888)	
Purchase of endowment assets		(5,146)	(4,255)	
Receipts from sale of tangible fixed assets		5,284	8,053	
Receipts from sale of endowment assets		5,520	4,298	
Receipts from sale of investments		1,510	839	
Deferred capital grants received		10,320	5,221	
Endowments received		20	29	
		<u>(647)</u>	<u>3,869</u>	
27. Financing				
New unsecured loans		-	175	
Repayment of loans		(988)	(700)	
Net cash outflow from financing		<u>(988)</u>	<u>(525)</u>	
28. Analysis of changes in net funds				
	At	Cash	Other	At
	1/8/05	flow	changes	31/7/06
	£000	£000	£000	£000
Investments	499	(290)	-	209
Endowment assets	3,264	318	-	3,582
Cash in hand and in bank	47,646	11,416	-	59,062
	<u>51,409</u>	<u>11,444</u>	<u>-</u>	<u>62,853</u>
Debt due within one year	(760)	760	(820)	(820)
Debt due after one year	(16,349)	228	820	(15,301)
	<u>34,300</u>	<u>12,432</u>	<u>-</u>	<u>46,732</u>

29. Pension schemes

The University participates in three defined benefit schemes.

Universities Superannuation Scheme

The University participates in the Universities Superannuation Scheme (USS), a defined benefit scheme which is externally funded and contracted out of the State Second Pension (S2P). The assets of the scheme are held in a separate trustee-administered fund. The University is unable to identify its share of the underlying assets and liabilities of the scheme on a reasonable and consistent basis and, therefore, as required by FRS 17 'Retirement Benefits', accounts for the scheme as if it were a defined contribution scheme. As a result the amount charged to the income and expenditure account represents the contributions payable in respect of the accounting period.

The latest actuarial valuation of the scheme was at 31 March 2005. The assumptions which have the most significant effect on the result of the valuation are those relating to the rate of return on investments (i.e. the valuation rate of interest) and the rates of increase in salary and pensions. In relation to the past service liabilities the financial assumptions were derived from market yields prevailing at the valuation date. It was assumed that the valuation rate of interest would be 4.5% per annum, salary increases would be 3.9% per annum (plus an additional allowance for increases in salaries due to age and promotion in line with recent experience) and pensions would increase by 2.9% per annum. In relation to the future service liabilities it was assumed that the valuation rate of interest would be 6.2% per annum, including an additional investment return assumption of 1.7% per annum, salary increases would be 3.9% per annum (plus an additional allowance for increases in salaries due to age and promotion) and pensions would increase by 2.9% per annum. The valuation was carried out using the projected unit method.

At the valuation date, the market value of the assets of the scheme was £21,740M and the value of the past service liabilities was £28,308M leaving a deficit of £6,568M. The assets therefore were sufficient to cover 77% of the benefits which had accrued to members after allowing for expected future increases in earnings.

The actuary also valued the scheme on a number of other bases as at the valuation date. Using the Minimum Funding Requirement prescribed assumptions introduced by the Pensions Act 1995, the scheme was 126% funded at that date; under the Pension Protection Fund regulations introduced by the Pensions Act 2004 it was 110% funded; on a buy-out basis (ie assuming the Scheme had discontinued on the valuation date) the assets would have been approximately 74% of the amount necessary to secure all the USS benefits with an insurance company; and using the FRS17 formula as if USS was a single employer scheme, the actuary estimated that the funding level would have been approximately 90%.

The institution contribution rate required for future service benefits alone at the date of valuation was 14.3% of pensionable salaries but the trustee company, on the advice of the actuary, decided to maintain the institution contribution rate at 14% of pensionable salaries.

Surpluses or deficits which arise at future valuations may impact on the institution's future contribution commitment. An additional factor which would impact the funding level of the scheme is that with effect from 16 March 2006, USS positioned itself as a "last man standing" scheme so that in the event of the insolvency of any of the participating employers in USS, the amount of any pension funding shortfall (which cannot otherwise be recovered) in respect of that employer will be spread across the remaining participant employers and reflected in the next actuarial valuation of the scheme.

29. Pension schemes continued

The next formal triennial actuarial valuation is due as at 31 March 2008. The contribution rate will be reviewed as part of each valuation.

The total pension cost for the institution was £8,470,000 (2005 £7,724,000). This includes £734,000 (2005 £662,000) outstanding contributions at the balance sheet date. The contribution rate payable by the institution was 14% of pensionable salaries.

Strathclyde Pension Fund

The Strathclyde Pension Fund provides benefits based on final pensionable salary for employees of local government and some other institutions. It is not possible to identify each institution's share of the underlying assets and liabilities of the scheme and hence contributions to the scheme are accounted for as if it were a defined contribution scheme. The cost recognised within the surplus for the year in the income and expenditure account is equal to the contributions payable in the year.

The assets of the Fund are held in a separately administered fund and the latest actuarial valuation of the Fund was at 31 March 2005. The assumptions which have the most significant effect on the results of the valuation are those relating to the returns on investments inflation, rates of mortality, early retirements, staff turnover, and the rates of increase in salaries and pensions. For the valuation at 31 March 2005, it was assumed that the overall anticipated long term return from equities would be 6.7%, 5.7% from property and 5.0% from gilts and bonds. It was further assumed salary scale increases would be 1.5% per annum in real terms and that pensions would increase by 0% per annum in real terms.

At the date of the 2005 actuarial valuation, which was carried out using the projected unit method, the market value of the assets of the Fund was £6,990M. and the actuarial value of assets was sufficient to cover 97% of the benefits which had accrued to members after allowing for expected future increases in earnings. A funding level of less than 100% indicates a deficit and the past service deficit identified at 31 March 2006 is £230M. Assuming that a funding level of 100% is to be targeted an increased employer's contribution rate is required. This increase will be phased in over three years.

The employer's contribution rate payable by the University was 250% of the employee's rate until 31 March 2006 and 265% thereafter. Pension costs in respect of 2006 were £2,290,000 (2005 £2,306,000), of which £201,000 (2005 £196,000) was outstanding at the balance sheet date.

Scottish Teachers Superannuation Scheme

The Scottish Teachers Superannuation Scheme (STSS) provides benefits based on final pensionable salary for Scottish teachers. The fund is administered by the Scottish Public Pensions Agency.

The level of contribution paid by employing institutions was 12.5% of members' salaries. The pension costs to the University in respect of STSS for 2006 were £426,000 (2005 £449,000), of which £35,000 (2005 £35,000) was outstanding at the balance sheet date. This is the full and total extent of the University's liability in respect of this scheme.

29. Pension schemes continued***Pension provision***

The pension provision is made to cover pensions due to staff who have taken early retirement from the University. The provision made to date is £8,930,000 (2005 £9,867,000).

30. Taxation status

The University is an exempt charity (SCO15263) within the meaning of Section 506(1) of the Income & Corporation Taxes Act 1988. Accordingly, the University is exempt from taxation in respect of income or capital gains received within categories covered by Section 505 of the Taxes Act 1988 or Section 256 of the Taxation of Chargeable Gains Act 1992 to the extent that such income or gains are applied to exclusively charitable purposes. The University receives no exemption in respect of Value Added Tax.

31. Related party transactions

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

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

32. Post balance sheet events

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

33. HE bursaries and other student support funds

	2006 HE Hardship £000	2006 HE Childcare £000	2006 Total £000	2005 Total £000
Balance brought forward	12	5	17	81
Allocation received in the year	843	231	1,074	857
Expenditure	(838)	(196)	(1,034)	(921)
Repaid to Funding Body as clawback	-	-	-	-
Virements	40	(40)	-	-
Balance carried forward	<u>57</u>	<u>-</u>	<u>57</u>	<u>17</u>
Repayable to Funding Council as clawback	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Retained by University for students	<u>57</u>	<u>-</u>	<u>57</u>	<u>17</u>

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

Court Membership 2005/06

Convener of Court

Dr A S Hunter

Ex Officio

Principal and Vice-Chancellor
Professor A Hamnett

Vice-Principal Professor K Miller
(until July 2006)

Local Authority

Councillor Dr M Green (from November 2005)

Convocation

Mr J Fergus
Deputy Convener (Estates), Mr J F Livingston

Deputy Convener (Staff), Dr G R Wilson

Mr M Wishart

Senate

Dr J S Bramley
Mr R Chapman
Professor G Hogg
Dr P MacKenzie
Professor M Pacione
Professor A D Weir

Graduates Association

Dr R M Harley

Hon President of the Students Association

Mr F Evans (until March 2006)
Mr M Strachan (from April 2006)

President of the Students Association

Ms K McCloskey

Co-opted by Court (Lay Members)

Mrs E J Currie
Mr D Gray
Professor S Gulliver
Dr P Hughes
Dr A S Hunter (Convener of Court)
Mr R J A Hunter
Ms F McMenamin
Mr T J Monaghan (Vice-Convener of Court and Treasurer)
Mrs P Ritchie
Dr C Vance

Non-Teaching Staff

Ms M McGee
Mr D Smith

Membership of Principal Committees of Court

Convener of Court Membership Group and Remuneration Committee. Member of Group on Property

Convener of University Management Group, Member of Group on Property, Staff Committee, Business Ventures Group and Court Membership Group
Member of University Management Group, Staff Committee and Court Membership Group

Convener of Group on Property, Member of Court Membership Group and Remuneration Committee
Convener of Staff Committee, Member of Court Membership Group and Remuneration Committee
Convener of Audit Committee and Member of Remuneration Committee

Member of Audit Committee

Member of Audit Committee

Member of Business Ventures Group
Member of Audit Committee
See above

Member of Group on Property, Remuneration Committee, Court Membership Group and Business Ventures Group
Member of Audit Committee
Convener of Business Ventures Group

The following individuals were not members of Court during the financial year to 31 July 2006 but were members of Court on the date the Financial Statements were approved: Mr B Rennick, Mr C Moore, Ms K Morrison, Professor A Paterson, Dr A McLaren, Mr P Goldfinch.





University of
Strathclyde

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