

report & financial statements

2008



University of
Strathclyde
Glasgow



officers of the university

Chancellor

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

Principal and Vice-Chancellor

Professor Andrew Hamnett
DL MA DPhil Hon DSc CChem FRSC FRSE

Convener of Court

J Fraser Livingston
FRICS

Vice-Principal

Professor James Love
BA MSc PhD

Pro Vice-Principal

Professor Kenneth Miller
LLB LLM PhD

Deputy Principals

Professor Rae Condie
BSc BA MSc MA(Ed) PhD FRSA

Professor Allister Ferguson
BSc MA PhD CPhys FInstP FRSE FIEEE FOSA

Professor James McDonald
BSc MSc PhD CEng FEng FRSE FIEE FInstP SMIEE

Anne Hughes
DCE ITQ SQN MPhil

Secretary

Peter West
OBE DL MA DUniv DPhil

Librarian and Head of Information Resources Directorate

Professor Derek Law
MA DUniv FInfSc FKC FCLIP FRSE

financial statements for the year to 31 July 2008

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financial highlights

and other key statistics

	2008 £000	2007 £000
Summary Income and Expenditure Account		
Funding Council grants	96,715	91,072
Tuition fees and education contracts	60,037	55,824
Research grants and contracts	35,686	31,580
Other income	26,837	25,513
Total income	<u>219,275</u>	<u>203,989</u>
Gain on disposal of fixed assets	-	8,272
Total expenditure	(209,557)	(196,550)
Transfer from accumulated income in endowment funds	25	67
Surplus for the year	<u>9,743</u>	<u>15,778</u>

Summary Balance Sheet

Net assets	<u>225,976</u>	<u>208,189</u>
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Summary Cashflow

Increase in net funds	<u>16,378</u>	<u>24,117</u>
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	2008	2007	2006
Research Income (£000)	<u>35,686</u>	<u>31,580</u>	<u>29,398</u>

Staff Numbers (average)	<u>3,625</u>	<u>3,603</u>	<u>3,574</u>
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Full and part-time graduating students (headcount)

Undergraduate	Home/EU	15,002	15,627	15,013
	Overseas	495	595	328
Postgraduate instructional	Home/EU	6,952	7,157	7,249
	Overseas	1,298	1,078	1,078
Postgraduate research	Home/EU	1,222	1,115	1,007
	Overseas	558	467	429
Total	Home/EU	<u>23,176</u>	<u>23,899</u>	<u>23,269</u>
	Overseas	<u>2,351</u>	<u>2,140</u>	<u>1,835</u>
		<u>25,527</u>	<u>26,039</u>	<u>25,104</u>

Undergraduates entering employment or further study

	% employed or studying	
	Strathclyde	Benchmark
2006/07	95.1	95.1
2005/06	95.3	94.3
2004/05	94.5	94.3

Access to Higher Education

	2006/07(%)	
	Strathclyde	Benchmark
Entrants from:		
State Schools	92.3	83.1
NS-SEC classes 4-7	26.7	23.7

The Financial Statements for the year ended 31 July 2008, which have been approved by the Court, represent the consolidated results of the University and its subsidiaries (the Group).

Results for the year

The Group's results for the year ended 31 July 2008 are summarised on page 2 of the Financial Statements. Income from continuing operations rose by £15.3M to £219.3M whilst expenditure rose by £13.0M to £209.6M, resulting in an increase in operating surplus from £7.4M to £9.7M. There were no gains on disposal in the year (2006/07 £8.3M).

The growth in income is largely attributable to an increase in Funding Council grants, tuition fees and income from research grants and contracts. Scottish Funding Council (SFC) grants rose by 6.2% to £96.7M. Despite a further transfer of £1.4M from SFC grants to tuition fees as a result of the revised funding arrangements for Home/EU new entrants on degree courses, the recurrent teaching grant increased by £1.7M (2.9%). SFC funding for research rose significantly during the period. In addition to an increase in the recurrent research grant of 6.2% (£1.2M), non recurrent research grant income also rose by £0.8M. This is largely attributable to funding for new research pooling partnerships and greater activity in existing partnerships. The application of infrastructure funds to major refurbishment projects also increased by £1.4M.

Tuition fees increased by £4.2M to £60.0M, an increase of 7.5%. Whilst the growth in Home/EU fees of £1.7M (7.0%) is largely attributable to revised funding arrangements, the growth in overseas fees of £2.9M (16.2%) reflects continued expansion of student numbers. Growth in Science, Business and Engineering student numbers was particularly notable.

The growth in Research Grant and Contract income from £31.6M to £35.7M (13.0%) reflects both greater research activity and higher levels of overhead recovery. Overheads on research grants and contracts have risen from £7.3M to £9.0M.

Interest receivable has contributed greatly to the surplus for the year, rising from £4.0M to £5.9M. Cash and deposits rose from £82M to £98M during the year. The University took advantage of favourable interest rates available in the market by depositing surplus funds for terms of between one and six months.

Investment performance

With the exception of the portfolio of endowment investments 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 expendable and permanent endowments, including the Hunter Endowment, managed by Newton Investment Management, had a market value of £12.6M. In addition to its endowments, the University has a general portfolio of investments that 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 had a market value of £6.1M at the end of the financial year.

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):

	2007/08		2006/07	
	Return on Portfolio	WMI	Return on Portfolio	WMI
General portfolio	(7.6%)	(8.4%)	10.8%	12.2%
Main endowment fund	(6.0%)	(7.7%)	12.0%	11.6%
Hunter endowment fund	(7.0%)	(5.1%)	9.8%	8.0%

Notwithstanding the underperformance of the Hunter Endowment in 2007/08, over the past six years all of the funds managed by Newton have outperformed their benchmark index.

financial review continued

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 £3.7M 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:

	2007/08		2006/07	
	Return on Portfolio	APCIMS	Return on Portfolio	APCIMS
Endowment portfolio	(8.8%)	(7.6%)	9.3%	9.3%

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

Cashflow

The University generated a net increase in funds during the year of £16.4M. The principal factors impacting net funds are an inflow from operating activities of £11.6M, a net inflow from returns on investments and servicing of finance of £5.5M and a net outflow for capital expenditure and financial investment of £0.7M. Further details are given in Notes 24 to 30 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 month 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. The University Court continues to review the Code of Practice in light of the uncertainties in the financial markets.

Current and future developments

During the year, the University continued to implement its Strategic Plan 2007 – 2011. At the heart of the plan is an Agenda for Excellence which sets challenging targets in the areas of Research, Education and Knowledge Exchange. It provides a clear framework for future development and, by delivering its Strategic Plan targets, the University has an opportunity to create a step-change in performance. Implementation of the plan is being underpinned by strategic funding for activities in all three main areas.

The University Estates Strategy will ensure that appropriate investment in infrastructure and facilities will support the implementation of the Strategic Plan. The proposed expenditure on developing the Estate over a ten year period is £300M. This includes plans to provide facilities for the Faculty of Education on the city centre campus.

In 2007/08, a total of £11.7M was incurred on additions to the Estate. Some £3.9M of expenditure was incurred in respect of four new-build projects. This included £2.4M in respect of design and site clearance costs for the new Strathclyde Institute of Pharmaceutical and Biomedical Sciences building. Expenditure on design fees and site investigation works was incurred in respect of the new Jordanhill building for the Faculty of Education, the new Sports and Health building on Cathedral Street and a new Advanced Forming Research Centre at Inchinnan.

Other major projects included £3.2M in the Thomas Graham building, enhancing research facilities for both Pure and Applied Chemistry and Chemical and Process Engineering and improving services to the building; £1.0M on improving teaching facilities in the McCance building; £0.7M to complete projects in the Royal College which will provide additional research facilities for Physics and Pure and Applied Chemistry; £0.6M on providing improved research facilities for Mechanical Engineering.

Staff and students with disabilities

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

The University has an ongoing programme of expenditure to ensure it meets the requirements of the Disability Discrimination Act. Funds of £3.2M 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. At the year end, the University had trade creditors outstanding of £4.8M. Given that the University paid a total of £69.7M to trade creditors during the year, the amount outstanding at the year end represents 25 days (2006/07 29 days). During the year no interest was paid in relation to the Late Payment of Commercial Debts (Interest) Act, 1998.

Conclusion

An operating surplus of £9.7M is a highly satisfactory financial result and continues the trend of recent years as the University prepares for its major investment in estate development. However that necessary investment will result in both reduced income as cash balances contract and increased costs as backlog maintenance is carried out and appropriate depreciation provision made for new assets. Add to that the higher than anticipated salary settlement in 2008 and it is clear that there is no room for complacency. Difficult decisions lie ahead and budgetary discipline will be essential.

Once again I wish to record my appreciation of the professionalism displayed by the Finance Director and his staff over the year.

T J Monaghan, Treasurer
22 November 2008

governance

The University is committed to exhibiting best practice in all aspects of corporate governance. This summary describes the manner in which the University has complied with and applied the principles set out in Section 1 of the 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 which complies 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, and involve a regular process of presentation and assessment. Strategic risks are identified and considered at various levels e.g. by the Senior Management Team, 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 those 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.

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

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 remuneration of the most senior staff, including the Principal.

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

The Business Ventures Group oversees and provides support for projects emanating from the University's own research activities which are considered to merit commercial development.

The Audit Committee has a key role to play in assisting Court review the arrangements for internal control and risk management. It 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

the annual risk report, reports from the Funding Council and other bodies as they affect the University's business and monitors adherence to regulatory requirements. Whilst senior executives attend meetings of the Audit Committee as necessary, they are not members nor do they have voting rights. Committee members meet on their own and with the External Auditors for independent discussions.

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.

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

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 2008 meeting Court carried out the annual assessment for the year ended 31 July 2008 by considering documentation from the UMC, and taking account of events since 31 July 2007. 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 2008 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.

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 reviewed its effectiveness in session 2007/08, which has led to some adjustments to the formal presentation of business and to a more focused strategic approach to the governance of the University. Senate and other committees have also been reviewed and some significant changes have been made to the academic committee structures in order to provide a more effective and strategic approach to the academic business of the University.

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.

J F Livingston
Convener of Court
22 November 2008

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 2008 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 35. 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 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 Operating and Financial Review and Corporate Governance Statement and consider whether it is consistent with the audited financial statements. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board and the 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 2008, 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
24 November 2008

income and expenditure account

for the year ended 31 July 2008

	Note	2008 £000	Restated 2007 £000
Income			
Funding Council grants	2	96,715	91,072
Tuition fees and education contracts	3	60,037	55,824
Research grants and contracts	4	35,686	31,580
Other income	5	19,837	20,438
Endowment and investment income	6	7,000	5,075
Total income		<u>219,275</u>	<u>203,989</u>
Expenditure			
Staff costs	7	129,098	121,716
Exceptional restructuring costs		-	578
Other operating expenses	9	67,858	62,931
Depreciation	11	11,725	10,444
Interest and other finance costs	8	876	881
Total expenditure	9	<u>209,557</u>	<u>196,550</u>
Surplus after depreciation of tangible fixed assets at cost		9,718	7,439
Exceptional items:			
Disposal of fixed assets	10	-	8,272
Surplus after depreciation of assets at cost, disposal of assets and tax		9,718	15,711
Surplus for the year transferred from accumulated income in endowment funds		25	67
Surplus for the year retained within general reserves	21	<u>9,743</u>	<u>15,778</u>

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

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

statement of consolidated total recognised

gains and losses

for the year ended 31 July 2008

	Note	2008 £000	Restated 2007 £000
Surplus on continuing operations after taxation		9,718	15,711
(Depreciation)/appreciation on revaluation of fixed asset investments	12, 21	(642)	148
(Depreciation)/appreciation of endowment assets	20	(2,033)	1,168
New endowments	20	364	514
Total recognised gains relating to the year		<u>7,407</u>	<u>17,541</u>
Reconciliation			
Opening reserves and endowments		143,920	126,379
Total recognised gains and losses for the year		7,407	17,541
Closing reserves and endowments		<u>151,327</u>	<u>143,920</u>

balance sheet

as at 31 July 2008

	Note	Consolidated		University	
		2008 £000	Restated 2007 £000	2008 £000	Restated 2007 £000
Fixed assets					
Tangible assets	11	156,399	152,333	156,399	152,333
Investments	12	6,774	7,379	6,774	7,379
		<u>163,173</u>	<u>159,712</u>	<u>163,173</u>	<u>159,712</u>
Endowment assets	13	19,503	21,197	19,503	21,197
Current assets					
Surplus assets for disposal		25	25	25	25
Stock		345	359	345	359
Debtors	14	11,154	11,275	11,158	11,279
Investments	15	75,000	-	75,000	-
Cash at bank and in hand		22,560	81,723	22,554	81,717
		<u>109,084</u>	<u>93,382</u>	<u>109,082</u>	<u>93,380</u>
Creditors: amounts falling due within one year	16	(43,118)	(42,378)	(43,116)	(42,376)
Net current assets		<u>65,966</u>	<u>51,004</u>	<u>65,966</u>	<u>51,004</u>
Total assets less current liabilities		<u>248,642</u>	<u>231,913</u>	<u>248,642</u>	<u>231,913</u>
Creditors: amounts falling due after more than one year	17	(13,357)	(14,304)	(13,357)	(14,304)
Provisions for liabilities	18	(9,309)	(9,420)	(9,309)	(9,420)
Net assets		<u>225,976</u>	<u>208,189</u>	<u>225,976</u>	<u>208,189</u>

balance sheet

as at 31 July 2008 continued

		Consolidated		University	
	Note	2008 £000	Restated 2007 £000	2008 £000	Restated 2007 £000
Deferred capital grants	19	74,649	64,269	74,649	64,269
Endowments					
Expendable	20	538	1,037	538	1,037
Permanent	20	18,965	20,160	18,965	20,160
		<u>19,503</u>	<u>21,197</u>	<u>19,503</u>	<u>21,197</u>
Reserves					
Income and Expenditure Account	21	131,212	121,385	131,212	121,385
Revaluation reserve	21	612	1,338	612	1,338
		<u>131,824</u>	<u>122,723</u>	<u>131,824</u>	<u>122,723</u>
Total Funds		<u>225,976</u>	<u>208,189</u>	<u>225,976</u>	<u>208,189</u>

The Financial Statements were approved by the University Court on 22 November 2008, and signed on its behalf by:

J F Livingston
Convener of Court

T J Monaghan
Treasurer

Professor A Hamnett
Principal and Vice-Chancellor

cash flow statement

for the year ended 31 July 2008

	Note	2008 £000	Restated 2007 £000
Net cash inflow from operating activities	24	11,627	14,089
Returns on investments and servicing of finance	25	5,490	4,209
Capital expenditure and financial investment	26	(739)	5,819
Management of liquid resources	27	(75,000)	-
Financing	28	(877)	(937)
(Decrease)/increase in cash in the year		<u>(59,499)</u>	<u>23,180</u>
Reconciliation of net cash flow to movement in net funds			
(Decrease)/increase in cash in the year		(59,499)	23,180
Change in short term deposits	27	75,000	-
Change in debt	28	877	937
Change in net funds		<u>16,378</u>	<u>24,117</u>
Net funds at 1 August		70,948	46,831
Net funds at 31 July		<u>87,326</u>	<u>70,948</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 2007 and in accordance with applicable Accounting Standards.

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

Basis of consolidation

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

Changes in accounting policy

The revised SORP was published in July 2007 and takes effect from 1 August 2007. The guidance relating to charitable donations has been amended considerably in the revised SORP.

The SORP introduces the terms 'restricted' and 'unrestricted' to distinguish how charitable donations should be categorised in accordance with the wishes of donors. In addition, the SORP introduces the terms 'permanent endowment' and 'expendable endowment'. Unlike a 'permanent endowment' where there is a requirement to maintain permanently the capital of the endowment fund, an 'expendable endowment' arises when a donor specifies that the donation must be used for a particular objective but does not specify any requirement to maintain the capital intact.

As a result of this revised guidance, some changes are necessary to the accounting treatment of certain endowment funds. This prior year adjustment has no impact on the net assets at 1 August 2007 or on the surplus for the year ended 31 July 2007. However, it does result in some recategorisation within the Balance Sheet at 31 July 2007. Endowment Assets and Endowment Funds both decrease by £1,280,000 whilst Fixed Asset Investments, Cash at Bank and in Hand and Reserves increase by £876,000, £404,000 and £1,280,000 respectively.

The accounting treatment for the tuition fee element of grants made in support of the training of research students has been amended to reflect the latest guidance from the Higher Education Statistics Agency (HESA). This prior year adjustment has no impact on the net assets at 1 August 2007 or on the surplus for the year ended 31 July 2007. However, it does result in some recategorisation within the 2006/07 Income and Expenditure Account. Research Training Support Grant income increases by £628,000 whilst Research Income and Non-Credit Bearing Tuition Fees decrease by £530,000 and £98,000 respectively. There are corresponding changes in expenditure with Academic Department expenditure increasing by £628,000 and Research Expenditure and Other Expenditure decreasing by £530,000 and £98,000 respectively.

Income Recognition

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

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

1. Principal Accounting Policies continued

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

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

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

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

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

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

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

Agency arrangements

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

Value Added Tax (VAT)

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

1. Principal Accounting Policies continued**Accounting for charitable donations*****Unrestricted donations***

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

Endowment funds

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

- Unrestricted permanent endowments – the donor has specified that the fund is to be permanently invested to generate an income stream for the general benefit of the institution
- Restricted expendable endowments – the donor has specified a particular objective other than the purchase or construction of tangible fixed assets, and the institution can convert the donated sum into income
- Restricted permanent endowments – the donor has specified that the fund is to be permanently invested to generate an income stream to be applied to a particular objective.

Donation for fixed assets

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

Accounting for retirement benefits

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

Foreign currencies

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

Land and buildings

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

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

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1. Principal Accounting Policies continued

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

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

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

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

Equipment

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

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

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

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

Heritage Assets

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

Surplus assets for disposal

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

Repairs and maintenance

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

1. Principal Accounting Policies continued**Investments**

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

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

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

Stock

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

Provisions, contingent liabilities and contingent assets

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

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

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

Cash flows and liquid resources

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

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

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2. Funding Council grants	2008	2007
	£000	£000
SFC Higher Education recurrent teaching grant	59,887	58,196
Funding for increased STSS contributions	126	191
SFC recurrent research grant	20,803	19,593
SFC non-recurrent research grant	4,454	3,688
Learning and Teaching Infrastructure Fund grants	1,678	299
Released from deferred capital grants	3,478	2,845
Other SFC grants	6,289	6,260
	<u>96,715</u>	<u>91,072</u>
3. Tuition fees and education contracts		Restated
UK and EU fees	26,627	24,886
Non EU fees	20,507	17,643
Non credit bearing course fees	8,487	9,122
Education contracts	3,156	3,186
Other contracts	1,260	987
	<u>60,037</u>	<u>55,824</u>
4. Research grants and contracts		Restated
Research Councils	16,251	11,398
UK based charities	3,071	3,063
European Commission	2,634	2,890
Other grants and contracts	12,767	13,458
Released from deferred capital grants	963	771
	<u>35,686</u>	<u>31,580</u>
5. Other income		
Residences and catering	9,046	8,825
Other services rendered	3,766	3,882
Released from deferred capital grants	748	733
Royalty income	728	916
Accommodation charges and rental income	278	307
Other departmental income	3,162	3,238
Donations and subventions	758	752
Other income	1,351	1,785
	<u>19,837</u>	<u>20,438</u>

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6. Endowment and investment income

	2008	Restated 2007
	£000	£000
Income from expendable endowments	34	33
Income from permanent endowments	823	839
Interest receivable	5,879	3,998
Investment income	264	205
	<u>7,000</u>	<u>5,075</u>

7. Staff costs

Wages and salaries	107,173	101,161
Social security costs	8,675	8,302
Other pension costs (Note 31)	13,250	12,253
	<u>129,098</u>	<u>121,716</u>

Average staff numbers by major category:

	2008	2007
	Number	Number
Academic and academic-related	2,077	2,020
Technical	260	275
Clerical	586	607
Operational	702	701
	<u>3,625</u>	<u>3,603</u>

	2008	2007
	£000	£000
Remuneration, excluding employer's pension contributions, of the Principal and Vice-Chancellor was:	<u>199</u>	<u>182</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 £27,000 (2007 £25,000).

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

	2008			2007		
	Senior	Other	Total	Senior	Other	Total
£70,001 - £80,000	1	55	56	-	45	45
£80,001 - £90,000	-	29	29	3	16	19
£90,001 - £100,000	2	9	11	2	5	7
£100,001 - £110,000	2	5	7	-	3	3
£110,001 - £120,000	-	2	2	-	1	1
£120,001 - £130,000	1	-	1	1	1	2
£130,001 - £140,000	1	1	2	-	-	-
£140,001 - £150,000	-	-	-	1	-	1
£160,001 - £170,000	-	-	-	-	1	1
£170,001 - £180,000	-	-	-	1	-	1
£190,001 - £200,000	1	-	1	-	-	-

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

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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:

	2008 £000	2007 £000
Compensation paid	198	32
Pension benefits	<u>60</u>	<u>261</u>
	<u>258</u>	<u>293</u>

8. Interest and other finance costs

Loans not wholly repayable within five years	<u>876</u>	<u>881</u>
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9. Analysis of expenditure by activity

	Staff Costs	Other Operating expenses	Interest and other finance costs	2008 Total	Restated 2007 Total
	£000	£000	£000	£000	£000
Academic departments	75,090	13,417	-	88,507	83,871
Academic services	10,544	4,064	-	14,608	13,849
Research grants and contracts	12,962	13,674	-	26,636	24,256
Administration and Central Services	14,222	6,504	-	20,726	19,335
Residences and catering	3,510	3,349	-	6,859	6,741
Premises	7,755	15,954	-	23,709	20,846
Other expenses	5,015	10,896	876	16,787	16,630
	<u>129,098</u>	<u>67,858</u>	<u>876</u>	<u>197,832</u>	<u>185,528</u>

Exceptional restructuring costs	-	578
Depreciation	11,725	10,444
Total per income and expenditure account	<u>209,557</u>	<u>196,550</u>

Exceptional restructuring costs of £Nil (2007 £578k) were incurred as a result of restructuring within the Strathclyde Business School.

The depreciation charge has been funded by:

Deferred capital grants released	5,189	5,078
General income	6,536	5,366
	<u>11,725</u>	<u>10,444</u>

Other operating expenses include:

External auditors remuneration - audit services	63	60
External auditors remuneration - non-audit services	27	44

10. Exceptional items

	2008	2007
	£000	£000
Gain on disposal of land and buildings	-	8,071
Gain on disposal of fixed asset investments	-	201
	<u>-</u>	<u>8,272</u>

11. Tangible fixed assets

Group and University	Land and Buildings				Equipment	Total
	Freehold	Long Leasehold	Assets under Construction			
	£000	£000	£000	£000	£000	£000
Cost						
At 1 August 2007	209,363	6,967	579	17,255	234,164	
Additions	6,872	943	3,861	4,115	15,791	
Disposals	-	-	-	(1,280)	(1,280)	
At 31 July 2008	<u>216,235</u>	<u>7,910</u>	<u>4,440</u>	<u>20,090</u>	<u>248,675</u>	
Depreciation						
At 1 August 2007	69,123	5,221	-	7,487	81,831	
Charge for period	7,450	830	-	3,445	11,725	
Disposals	-	-	-	(1,280)	(1,280)	
At 31 July 2008	<u>76,573</u>	<u>6,051</u>	<u>-</u>	<u>9,652</u>	<u>92,276</u>	
Net book value at 31 July 2008	<u>139,662</u>	<u>1,859</u>	<u>4,440</u>	<u>10,438</u>	<u>156,399</u>	
Net book value at 31 July 2007	<u>140,240</u>	<u>1,746</u>	<u>579</u>	<u>9,768</u>	<u>152,333</u>	

Buildings with a net book value of £95,378,000 and cost of £157,659,000 have been funded in part or in whole from Treasury sources. Should these particular buildings be sold, the University would have to surrender the relevant proceeds to the Treasury or use them in accordance with the Financial Memorandum with the Scottish Funding Council.

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

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12. Fixed asset investments**Consolidated and University**

	2008	Restated
	£000	£000
At 1 August	7,379	6,758
Additions	1,149	1,420
Disposals	(1,034)	(1,170)
(Decrease)/increase in market value of investments	(642)	148
(Decrease)/increase in cash balances	(78)	223
At 31 July	<u>6,774</u>	<u>7,379</u>
	2008	2007
	£000	£000
Represented by:		
Fixed interest investments (listed)	868	822
Equities (listed)	4,896	5,489
Held within cash and bank	397	475
BVG investments	368	348
Synergy investments	193	193
Other	52	52
	<u>6,774</u>	<u>7,379</u>

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

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	31/7/08
Haleno Limited	100	Property Company	31/7/08
SGBS Limited	100	Property Company	31/7/08

13. Endowment assets

	Consolidated and University	
	2008 £000	Restated 2007 £000
At 1 August	21,197	19,582
Additions	3,797	3,709
Disposals	(3,200)	(4,000)
(Decrease)/increase in market value of investments	(2,033)	1,168
(Decrease)/increase in cash balances held for endowment funds	(258)	738
At 31 July	<u>19,503</u>	<u>21,197</u>
Represented by:		
Fixed interest investments (listed)	3,140	2,985
Equities (listed)	12,487	14,049
Bank deposits	200	229
Held within cash and bank	3,676	3,934
Total endowment assets	<u>19,503</u>	<u>21,197</u>
Fixed interest investments and equities at cost	<u>14,078</u>	<u>13,568</u>

14. Debtors

	Consolidated		University	
	2008 £000	2007 £000	2008 £000	2007 £000
Debtors	9,072	9,951	9,072	9,951
Prepayments and accrued income	2,082	1,324	2,086	1,328
	<u>11,154</u>	<u>11,275</u>	<u>11,158</u>	<u>11,279</u>

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	Consolidated		University	
	2008 £000	2007 £000	2008 £000	2007 £000
Deposits maturing: in one year or less	<u>75,000</u>	<u>-</u>	<u>75,000</u>	<u>-</u>

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

At 31 July 2008 the weighted average interest rate of these fixed deposits was 6.24% per annum and the remaining weighted average period for which the interest rate is fixed on these deposits was 80 days. The fair value of these deposits was not materially different from the book value.

16. Creditors: amounts falling due within one year

	Consolidated		University	
	2008 £000	2007 £000	2008 £000	2007 £000
Unsecured loans	950	880	950	880
Creditors	13,519	13,134	13,517	13,132
Social security and other taxation payable	3,032	2,783	3,032	2,783
Accruals	6,569	7,262	6,569	7,262
Deferred income	19,048	18,319	19,048	18,319
	<u>43,118</u>	<u>42,378</u>	<u>43,116</u>	<u>42,376</u>

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

	Consolidated and University	
	2008	2007
	£000	£000
Analysis of unsecured loans:		
Due within one year or on demand	950	880
Due between one and two years	1,020	950
Due between two and five years	3,560	3,300
Due in five years or more	8,777	10,054
	<u>14,307</u>	<u>15,184</u>
Due within one year or on demand	(950)	(880)
Due after more than one year	<u>13,357</u>	<u>14,304</u>

The unsecured bank loan of £13,530,000 (2007 £14,410,000) is repayable by instalments between 1 August 2008 and 31 July 2018 and interest is charged at 0.5% above the Base Rate. The University has recurrent loans totalling £777,000 (2007 £774,000) 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

	Consolidated and University			
	Pensions	Other	2008	2007
	£000	£000	Total	Total
			£000	£000
At 1 August 2007	9,258	162	9,420	9,092
Expenditure in the year	(1,317)	-	(1,317)	(1,119)
Transfer from/(to) Income and Expenditure				
Account	987	(106)	881	825
Revaluation adjustment	325	-	325	622
At 31 July 2008	<u>9,253</u>	<u>56</u>	<u>9,309</u>	<u>9,420</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 6.4% (2007 5.9%) and pension increases of 3.6% (2007 3.2%).

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 2009.

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19. Deferred capital grants

Consolidated and University	Funding Council £000	Other grants and benefactions £000	Total £000
At 1 August 2007			
Buildings	38,998	18,213	57,211
Equipment	6,588	470	7,058
Total	<u>45,586</u>	<u>18,683</u>	<u>64,269</u>
Cash Receivable			
Buildings	12,912	904	13,816
Equipment	768	985	1,753
Total	<u>13,680</u>	<u>1,889</u>	<u>15,569</u>
Released to income and expenditure			
Buildings	2,473	748	3,221
Equipment	1,005	963	1,968
Total	<u>3,478</u>	<u>1,711</u>	<u>5,189</u>
At 31 July 2008			
Buildings	49,437	18,369	67,806
Equipment	6,351	492	6,843
Total	<u>55,788</u>	<u>18,861</u>	<u>74,649</u>

20. Endowments

Consolidated and University	Unrestricted Permanent £000	Restricted Permanent £000	Total Permanent £000	Restricted Expendable £000	2008 Total £000	Restated 2007 Total £000
At 1 August 2007						
Capital	3,490	14,727	18,217	-	18,217	16,725
Accumulated income	-	1,943	1,943	1,037	2,980	2,857
	<u>3,490</u>	<u>16,670</u>	<u>20,160</u>	<u>1,037</u>	<u>21,197</u>	<u>19,582</u>
New Endowments	6	208	214	150	364	514
Investment Income	135	688	823	34	857	872
Expenditure	(135)	(538)	(673)	(209)	(882)	(939)
	<u>-</u>	<u>150</u>	<u>150</u>	<u>(175)</u>	<u>(25)</u>	<u>(67)</u>
(Decrease)/increase in market value of investments	(253)	(1,306)	(1,559)	(474)	(2,033)	1,168
At 31 July 2008	<u>3,243</u>	<u>15,722</u>	<u>18,965</u>	<u>538</u>	<u>19,503</u>	<u>21,197</u>
Represented by:						
Capital	3,243	13,629	16,872	-	16,872	18,217
Accumulated income	-	2,093	2,093	538	2,631	2,980
	<u>3,243</u>	<u>15,722</u>	<u>18,965</u>	<u>538</u>	<u>19,503</u>	<u>21,197</u>

In previous years endowments were analysed as general endowments and specific endowments. The revised headings above reflect the requirements of the SORP and the University's accounting policies.

21. Reserves

	Income and Expenditure Account £000	Revaluation Reserve £000	Total £000
Consolidated and University			
At 1 August 2007 (as previously stated)	120,303	1,140	121,443
Prior year adjustments	<u>1,082</u>	<u>198</u>	<u>1,280</u>
At 1 August 2007 (restated)	121,385	1,338	122,723
Surplus retained for the year	9,743	-	9,743
Revaluation	-	(642)	(642)
Realised revaluation surplus on sale of investments	84	(84)	-
At 31 July 2008	<u>131,212</u>	<u>612</u>	<u>131,824</u>

financial statements

continued

22. Capital commitments**Consolidated and University**

	2008	2007
	£000	£000

Commitments contracted at 31 July	<u>1,632</u>	<u>1,978</u>
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The University has attracted £890,000 (2007 £940,000) of funding from external sources towards projects which are included in the above commitments.

23. Contingent liabilities

The University had no contingent liabilities at 31 July 2008.

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

	2008	2007
	£000	£000

Surplus before taxation	9,718	15,711
Depreciation	11,725	10,444
Deferred capital grants released to income	(5,189)	(4,349)
Investment income	(7,000)	(5,075)
Net gain on disposal of tangible fixed assets	-	(8,272)
Loss/(gain) on sale of investments	55	(275)
Interest payable	876	881
Decrease in stocks	14	24
Decrease/(increase) in debtors	739	(804)
Increase in creditors	800	5,476
(Decrease)/ increase in provisions	(111)	328
Net cash inflow from operating activities	<u>11,627</u>	<u>14,089</u>

25. Returns on investments and servicing of finance

Income from endowments	857	872
Interest received and investment income	5,525	4,203
Interest paid	(892)	(866)
Net cash inflow from returns on investments and servicing of finance	<u>5,490</u>	<u>4,209</u>

26. Capital expenditure and financial investment

Proceeds from sale of tangible fixed assets	-	8,606
Payments to acquire tangible fixed assets	(15,905)	(13,994)
Deferred capital grants received	15,569	10,377
Endowment assets acquired and received	(3,433)	(3,195)
Receipts from sale of endowment assets	3,200	4,000
Purchase of fixed asset investments	(1,149)	(1,420)
Receipts from sale of fixed asset investments	979	1,445
Net cash (outflow)/inflow for capital expenditure and financial investment	<u>(739)</u>	<u>5,819</u>

27. Management of liquid resources

	2008 £000	2007 £000
Increase in short term deposits	<u>(75,000)</u>	<u>-</u>

28. Financing

New unsecured loans	28	30
Repayments of unsecured loans	(905)	(967)
	<u>(877)</u>	<u>(937)</u>

29. Analysis of changes in net funds

	At 1/8/07 £000	Cash flow £000	Non-cash changes £000	At 31/7/08 £000
Investments	475	(78)	-	397
Endowment assets	3,934	(258)	-	3,676
Cash in hand and in bank	81,723	(59,163)	-	22,560
	<u>86,132</u>	<u>(59,499)</u>	<u>-</u>	<u>26,633</u>
Short-term investments	-	75,000	-	75,000
Debts due within one year	(880)	880	(950)	(950)
Debts due after one year	(14,304)	(3)	950	(13,357)
	<u>70,948</u>	<u>16,378</u>	<u>-</u>	<u>87,326</u>

30. Cash flows relating to exceptional items

Operating cash flows include an outflow of £559,000 (2007 £Nil) in respect of exceptional restructuring costs.

Capital expenditure and financial investment cashflows include an inflow of £Nil (2007 £8,606,000) from the sale of tangible fixed assets.

31. Pension schemes

The University participates in three defined benefit schemes.

Universities Superannuation Scheme

The University participates in the Universities Superannuation Scheme (USS), a defined benefit scheme which is externally funded and contracted out of the State Second Pension (S2P). The assets of the scheme are held in a separate fund administered by the trustee, Universities Superannuation Scheme Limited. Because of the mutual nature of the Scheme, the University is unable to identify its share of the underlying assets and liabilities of the scheme on a 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.

31. Pension schemes continued

The latest actuarial valuation of the scheme was at 31 March 2005. The valuation was carried out using the projected unit method. The assumptions which have the most significant effect on the result of the valuation are those relating to the rate of return on investments (i.e. the valuation rate of interest), the rates of increase in salary and pensions and the assumed rates of mortality. 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 and a further amount of £800M of liabilities to reflect 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 (also plus an allowance for increases in salaries due to age and promotion) and pensions would increase by 2.9% per annum.

Standard mortality tables were used as follows:

Pre-retirement mortality	PA92 rated down 3 years
Post-retirement mortality	PA92 (c=2020) for all retired and non-retired members

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

Males	19.8 years
Females	22.8 years

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 (i.e. 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%.

Since 31 March 2005 the financial security of the scheme has undergone considerable volatility. The actuary has estimated that the funding level had increased to 91% at 31 March 2007, but that at 31 March 2008 it had fallen back to 77%. This fluctuation in the scheme's funding level is due to a combination of the volatility of the investment returns on the scheme's assets since 31 March 2005 compared to the returns allowed for in the funding assumptions and also the changing gilt yields which are used to place a value on the scheme's liabilities. These estimated funding levels are based on the funding levels at 31 March 2005 adjusted to reflect the fund's actual investment performance and changes in gilt yields (i.e. the valuation rate of interest).

31. Pension schemes continued

On the FRS17 basis, using an AA bond rate of 6% based on spot yields, the actuary estimated that the funding level at 31 March 2008 was 104%. An estimate of the funding level measured on a buy-out basis was approximately 78%.

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

The next formal triennial actuarial valuation was 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 £10,182,000 (2007 £9,329,000). This includes £1,351,000 (2007 £789,000) 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 280% of the employee's rate until 31 March 2008 and 295% thereafter. Pension costs in respect of 2008 were £2,625,000 (2007 £2,497,000), of which £304,000 (2007 £208,000) was outstanding at the balance sheet date.

31. Pension schemes continued***Scottish Teachers Superannuation Scheme***

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

The level of contribution paid by employing institutions was 13.5% of members' salaries. The pension costs to the University in respect of STSS for 2008 were £443,000 (2007 £427,000), of which £56,000 (2007 £37,000) was outstanding at the balance sheet date. This is the full and total extent of the University's liability in respect of this scheme.

Pension provision

The pension provision is made to cover pensions due to staff who have taken early retirement from the University. The provision at 31 July 2008 is £9,253,000 (2007 £9,258,000).

32. Taxation status

The University is an exempt charity (SC015263) 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.

33. Related party transactions

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

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

34. Post balance sheet events

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

35. HE bursaries and other student support funds

	2008 HE Childcare £000	2008 HE Hardship £000	2008 Other £000	2008 Total £000	2007 Total £000
Balance brought forward	7	15	-	22	-
Allocation received in the year	289	880	13	1,182	244
Expenditure	(251)	(898)	(10)	(1,159)	(237)
Repaid to Funding Council as clawback	-	-	(2)	(2)	-
Virements	(45)	45	-	-	-
Balance carried forward	<u>-</u>	<u>42</u>	<u>1</u>	<u>43</u>	<u>7</u>
Repayable to Funding Council as clawback	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Retained by University for students	<u>-</u>	<u>42</u>	<u>1</u>	<u>43</u>	<u>7</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 2007/08

Convener of Court

Dr J F Livingston

Ex Officio

Principal and Vice-Chancellor
Professor A Hamnett

Vice-Principal Professor J Love

Local Government

Baillie G Matheson

Convocation

Mr J Fergus

Convener, Dr J F Livingston

Deputy Convener (Staff), Dr G R Wilson

Mr M Wishart

Senate

Mr P Goldfinch

Dr D Grierson

Dr P MacKenzie

Professor M Pacione

Professor A Paterson

Mr M Ross

Membership of Principal Committees of Court

Convener of Court Membership Group and Remuneration Committee. Member of Estates Strategy Committee

Convener of University Management Committee, Member of Estates Strategy Committee, Staff Committee, Business Ventures Group and Court Membership Group

Member of University Management Committee, Court Membership Group and Estates Strategy Committee

See above

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

Convener of Audit Committee and Member of Remuneration Committee

Member of Estates Strategy Committee

Court Membership 2007/08
continued

Membership of Principal Committees of Court

Graduates Association

Dr C Tedford

Hon President of the Students Association

Mr M Strachan

President of the Students Association

Mr G Singh

Co-opted by Court (Lay Members)

Mr R Crawford

Member of Audit Committee

Mr D Dunbar (Deputy Convener of Court -
Estates)

Convener of Estates Strategy Committee, Member of
Court Membership Group and Remuneration Committee

Mr D Gray

Dr P Hughes

Member of Audit Committee

Mr R J A Hunter

Member of Business Ventures Group

Ms F McMenamin

Member of Staff Committee

Mr T J Monaghan (Vice-Convener of Court
and Treasurer)

Member of Estates Strategy Committee, Remuneration
Committee, Court Membership Group and Business
Ventures Group

Ms K Reid

Dr C Vance

Convener of Business Ventures Group

Non-Teaching Staff

Ms K Morrison

Ms L Whiteford

The following individuals were not members of Court during the financial year to 31 July 2008 but were members of Court on the date the Financial Statements were approved: Mr R Cleland, Ms M McGarry, Professor K Miller, Professor R Kalin, Dr J McInnes, Mr N Campbell.



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