

REPORT & FINANCIAL STATEMENTS

YEAR ENDED 31 JULY 2014



**LEADING
INTERNATIONAL
TECHNOLOGICAL
STRATHCLYDE**



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The Rt Hon the Lord Smith of Kelvin KT

Principal and Vice-Chancellor
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FRSE FIET FInstP

Convener of Court
Richard J A Hunter BA CA

Vice-Principal
Professor Kenneth Miller LLB LLM PhD
(until 30/09/14)

Professor Scott MacGregor BSc PhD SMIEEE CPhys
(from 01/10/14)

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David Coyle MA FCMA

Chief Operating Officer
Hugh Hall MBA CPFA

Executive Deans

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FRCIM FLT,
Executive Dean of the Strathclyde Business School

Professor Tony McGrew BSc PhD, Executive Dean of
the Faculty of Humanities and Social Sciences

Professor Iain Hunter BSc PhD, Executive Dean of
the Faculty of Science
(until 31/07/14)

Professor David Littlejohn BSc PhD FRSE FRSC,
Executive Dean of the Faculty of Science
(from 01/08/14)

Professor Scott MacGregor BSc PhD SMIEEE CPhys,
Executive Dean of the Faculty of Engineering
(until 30/09/14)

Professor Atilla Incecik BSc PhD CEng MRINA MSNAJ
MSNAME, Acting Executive Dean of the Faculty of
Engineering
(from 01/10/14)

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Principal's Report

This has been a hugely successful year for the University and I am delighted to share our achievements and progress with you. I am pleased to report we are continuing to make significant progress in realising our vision as a leading international technological university, thanks to our world-leading research, knowledge exchange, and teaching and learning programmes; all of which benefits enormously from our unparalleled collaborative engagement with business, industry and government.

Our founding aim as 'a place of useful learning' is supported by our five strategic themes: renowned research quality and intensity; exemplary knowledge exchange and impact; outstanding teaching and student experience; thriving international profile and reputation; and, operational excellence. I am proud of the ongoing achievements of our staff and students across each of these areas, which will remain at the heart of our new Strategic Plan when it is published by June 2015.

The University's distinctive mission and collaboration with leading international partners have both played a critical role in our success against a backdrop of declining real-terms Scottish and UK public funding for research. Nonetheless, given these challenging conditions, we have realised overall institutional revenues of over £250M for the first time in our history including an annual research spend of over £50M. Aligned to the growth we have achieved in research income and industry-sponsored activity, our postgraduate research student community has increased to over 1,350. Taken together, this represents a significant contribution to our ambitious research intensification agenda.

We have continued to develop high quality strategic academic alliances with world-leading universities over the past 12 months including Stanford University, Nanyang Technological University, New York University and the Hong Kong University of Science

and Technology. These research and education collaborations cover a range of disciplines including: public health policy; advanced manufacturing; energy systems; future cities; pharmaceutical sciences; and biomedical engineering.

External recognition of our successful knowledge exchange activities came in the form of the Times Higher Education, UK Entrepreneurial University of the Year award for 2013/14, just a year after we were named UK University of the Year. I'm pleased to report we also received the Industry and Business title at Glasgow's 2014 Inspiring City Awards. The recognition reflects our ongoing commitment to working with large and small companies, policy makers and the third sector to make major contributions to sustainable economic growth, socio-economic benefit and local impact as well as on the international stage.

We have large-scale, long-standing research and education partnerships with several global companies including Rolls-Royce, GSK, Weir Group, ScottishPower, SSE, Astra-Zeneca, Novartis, Boeing and many others. Our links to the business community in general – with our new SME engagement plan rolling out – was recognised earlier in the year by Interface with Strathclyde acknowledged as the No.1 University in Scotland for business collaboration. This was reinforced by us achieving the Small Business Charter Award.

Principal's Report continued

Indeed, it is fitting that by the end of 2014 – the 50th anniversary of the Royal Charter which granted us university status – construction of our landmark Technology and Innovation Centre will be complete. This flagship facility will further enable us to work side-by-side with our partners, helping companies compete globally and supporting the UK economy through the underpinning quality of our education and graduates, basic research capabilities and ability to translate our academic outcomes to application with our collaborators.

In the coming year, we will further contribute towards shaping the UK's scientific priorities and the delivery of research and training following our successful bid to enter into a new strategic partnership with the National Physical Laboratory (NPL), the Department for Business, Innovation and Skills and the University of Surrey. This exciting development was announced in June by Mr David Willetts, then the Minister for Science. This recognition of Strathclyde is further evidence of the enhanced profile we have as a University that can drive fundamental scientific research into economic and societal value.

NPL, based in Teddington, Middlesex, is a centre of excellence in measurement and materials science. This important step will greatly increase our opportunities to collaborate both with key industry partners and outstanding academic teams from across the UK and world-wide as well as enhancing the translation of our research into globally significant outcomes.

All of this has a positive impact on those at the very heart of our institution: our students. Our vision reflects the increasingly international nature of higher education, and the need to deliver a teaching

and learning experience that allows our graduates to flourish in the global workplace. I'm pleased to report that our satisfaction rating has risen by three per cent in the most recent National Student Survey. Our result of 89 per cent places us comfortably above the Scottish and UK averages. We have continued to expand our student internship programmes – and more than 93 per cent of our graduates are in work or further study six months after graduation.

Meanwhile, we have continued to demonstrate our commitment to ensuring as many talented students as possible benefit from the transformational life opportunities higher education can bring, regardless of means or background. The new Children's University, the first in Scotland, is bringing useful learning to pupils aged 7 to 14, while our Engineering Academy, supported by industry, is enabling college students to make the transition to higher education and then onto the workplace.

Lastly, I would like to take this opportunity to thank our staff and students for the tremendous contribution they have made, ensuring the past year has been one of which we can be truly proud. I am confident that we will build on this momentum in 2015 as we continue to deliver real value for Strathclyde, the city of Glasgow, Scotland and the global communities we serve.

Professor Sir Jim McDonald
Principal and Vice-Chancellor
20 November 2014



**OUR COMMITMENT TO
USEFUL LEARNING SHAPES
AND DEFINES OUR
ACADEMIC ENDEAVOUR**

Operating and Financial Review

VISION AND MISSION

Strathclyde's success in realising our vision to be a leading international technological university will not just determine the University's own success, but will determine our success in delivering benefit to Scotland and the wider world by means of the impact of our research, our knowledge exchange and our graduates.

Our commitment to useful learning shapes and defines our academic endeavour across research, knowledge exchange and the delivery of learning and teaching. In pursuit of this vision we have set out ambitious targets in our *Performance Development Framework* which focuses on the five strategic themes outlined in the diagram below.



A new Strategic Plan will be developed over the coming months for publication by July 2015, covering the period 2015-2020. It is anticipated that this will retain the current mission, vision and broad overall structure, but may refine our Key Performance Indicators (KPIs) and targets. The remainder of this section provides a review of progress across each of the major elements of the strategy and the University's supporting *Performance Measurement Framework*.

Operating and Financial Review continued

RENOWNED RESEARCH QUALITY AND INTENSITY

Strategic context

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

Our distinctive mission and our focus on partnership with industry and international partners has played a significant part in our success against a backdrop of declining real terms Scottish and UK public funding for research.

Performance measures

Our performance measures under this strategic theme are to:

- Monitor our proportion of 3* and 4* outputs
- Double research spend by 2016/17
- Double the number of grant Principal Investigators by 2016/17
- Secure international research grants with a total value of > £5 million by 2014/15
- Increase our postgraduate research (PGR) population towards 1,600 by 2015/16

Progress/Activity

The University made its submission to the Research Excellence Framework exercise in November 2013 and the results to be published in December 2014 will indicate our progress in growing our proportion of 3* and 4* research outputs.

The University has been successful in consolidating the 18% increase in research income achieved in 2012/13 and increased this by a further £1.8 million. This continued increase takes the total growth over five years to 42%, underpinned by growth of 202% in industry income, which now totals £9.1 million. We have also made good progress toward our international research grants target having secured £3.9 million of a £5.0 million target with 12 months remaining.

Aligned to this growth in research income and industry sponsored activity our PGR student numbers have increased by 7% over the same period. Taken together this represents a significant contribution to our research intensification agenda – external recognition of this has come through the volume of funding the University receives from the Engineering and Physical Sciences Research Council (EPSRC) which has led to the Council establishing a framework agreement with Strathclyde, a status afforded to just 12 UK universities.

Risks

Whilst the University has had considerable success and the pipeline of income from research grants already won is strong, further growth in this area will require a continued focus. Continuing our historically strong performance in securing EU framework programme funds will be a critical element of this. It is clear that the quantum of public funding available to support research is likely to decline in real terms and so the further development and expansion of our relationships with business and industry will become increasingly critical for the support of postgraduate research students as well as research income growth. The University's relative performance in the Research Excellence Framework (REF) will also be a key determinant of Scottish Funding Council (SFC) income for research. In particular, the way in which support for research impact is handled within the funding model (currently under review by SFC) will be key for Strathclyde in light of its focus on translation of research into economic benefit.

Operating and Financial Review continued

EXEMPLARY KNOWLEDGE EXCHANGE AND IMPACT

Strategic context

Knowledge Exchange (KE) is central to the University's mission to create useful learning of benefit to society and which can contribute to our economic, social and cultural wellbeing. In a time of increasing global competition and where multinationals are able to move Research and Development budgets between countries our focus and unique collaborative approach of bringing together competing companies and supply chain partners to address industry challenges has proved critical to our work in this area.

Performance measures

Our performance measures under this strategic theme are to:

- Double consultancy income by 2016/17
- Monitor our position in the UK for Knowledge Transfer Partnership involvement
- Double Continuing Professional Development (CPD) income by 2016/17
- Monitor number of spinouts per annum
- Increase licensing income towards £2.0 million by 2015/16

Progress/Activity

Given the centrality of KE to our mission the external recognition of our work in this area in the form of the THE Entrepreneurial University of the Year award was an accolade the University was delighted to receive. Particular highlights in the twelve month period covered by this report have included our successful bid to the UK Government to take over the management of NPL with the University of Surrey.

This is a hugely significant step for the University and will further increase our opportunities to collaborate with key industry partners. The management of NPL will enable us to continue to translate our research into genuine economic impact and further grow research and consultancy income. Consultancy income has grown by 52% over the past two years.

Other successes have seen us retain our position in the UK top five institutions undertaking Knowledge Transfer Partnerships with Industry and the appointment of over 40 individuals to our unique KE staff category (launched in October 2012). The University has also strengthened its knowledge exchange activity with Small and Medium Sized Enterprises (SMEs), increasing the total number of awards it holds under the Encompass, SFC Innovation Voucher schemes and the EPSRC Impact Acceleration Account.

Risks

With companies facing increased global competition and increasing options in terms of universities they may turn to us for R&D and CPD support. This is a highly competitive area. Continuing to deliver and develop our industry cluster centre model such that we are in a position to secure longer-term contracts with multiple partners will be critical to the development of relationships with a range of companies and their supply chains.

Operating and Financial Review continued

OUTSTANDING TEACHING AND STUDENT EXPERIENCE

Strategic context

The University of Strathclyde is committed to widening access and ensuring that its education provision challenges and supports students in order that they can realise their potential, provides them with essential skills for life and is appropriate and responsive to the needs of the learner and the needs of the employment market. The National Student Survey (NSS), the divergence in UK higher education policy funding and the development of newspaper league tables has led to a highly competitive environment for student recruitment, with the delivery of a high-quality student experience, good retention rates and positive graduate outcomes, essential characteristics for a successful and attractive university.

Performance measures

Our performance measures under this strategic theme are to:

- Increase college entrants by 30% by 2015/16
- Increase entrants from Scottish Index of Multiple Deprivation 0-40 areas by 15% by 2015/16
- Monitor the impact of innovative approaches to learning, teaching and support on undergraduates' personal development via student satisfaction with related NSS questions
- Monitor student retention rates
- Monitor the proportion of our graduates in work or further study in relation to our benchmark

Progress/Activity

The University continues to seek to improve across this broad range of activity and deliver a distinctive, resonant and relevant student experience. In pursuing this goal, recent achievements of note have included:

- The University has already exceeded its targeted growth of 30% in the number of college entrants. The number of new students from a college background has increased by one third over the past two years.
- The number of entrants to the University's undergraduate courses from the 40% most deprived areas in Scotland is now some 22 per cent higher than the 2011/12 baseline year.
- Improved performance in four of the five criteria for Assessment and Feedback within the NSS.
- Strathclyde's retention rate is 1.9 per cent¹ higher than the sector average.
- The launch of Scotland's first Children's University, for which our Principal acts as Chancellor, took place in November. Aimed at pupils aged between 7 and 14, it offers the opportunity to gain experience of further and higher education. Continued expansion of the range of internship programmes available to our students.
- More than 93% of our graduates are in work or further study six months after their graduation and our proportion in graduate-level jobs is rising such that we are now ranked 25th in the UK.

¹[HESA PIs: Non-continuation rates, 2011-12 entrants](#)

Risks

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

Operating and Financial Review continued

THRIVING INTERNATIONAL PROFILE AND REPUTATION

Strategic context

The University of Strathclyde is committed to enhancing its reputation as a leading international technological university – our vision in this area is to have an international outlook in everything we do. This reflects the increasingly international nature of research, scholarship and higher education, but also the need to deliver a teaching and learning experience which equips our graduates to flourish in the global workplace.

Performance measures

Our performance measures under this strategic theme are to:

- Establish at least eight high value international academic partnerships in order to address ‘grand challenges’ by 2016/17
- Monitor the diversity of our international student population
- Monitor the proportion of staff who are international
- Increase the number of international entrants via articulation routes by at least 50% by 2014/15

Progress/Activity

We have continued to develop and enhance new and existing strategic alliances with world-leading universities over the last twelve months. Existing relationships have developed with New York University (NYU) including the negotiation and signing of a joint strategic framework in April 2014.

Stronger links with Stanford University are being explored and the first annual review of the development of the Memorandum of Understanding signed with Nanyang Technological University is underway. All of this activity will contribute to the development of our ‘grand challenge’ research themes and the ongoing diversification of our staff and student populations. In keeping with a leading international technological university the proportion of the University’s staff who are international has increased by 11% over the last two years.

Risks

The increasing global competition for research and development funding, the significant investments growing economies are making in their higher education sectors, the rise of teaching in English across the world and the high degree of mobility of international students all represent significant risks to this strategic theme. The University’s reputation and maintaining its relationships with leading universities will be critical in protecting it from risk in this environment. In addition, significant changes to the student visa regime or the perceived attraction of Scotland/the UK as a destination for students represent a risk. Any of these could potentially lead to reduced student enrolments, student satisfaction, the University’s position in the NSS, graduate employment and the University’s reputation and related financial impacts.

Operating and Financial Review continued

OPERATIONAL EXCELLENCE

Strategic context

Ensuring that we operate in the most effective and efficient way is vital to maximising the impact of the funding we receive – something critical to the University’s social impact and therefore at the heart of our strategy. Regardless of this, efficiency and effectiveness represent a key area of focus for our funders with year-on-year efficiency gains specified in our teaching funding from SFC, annual efficiency returns required by the Scottish Government and the Diamond Review providing a UK focus in this area. In this context, maximising the efficiency of the investments in our estate, our people and our systems is critical in order to create sufficient headroom for continued growth and investment.

Performance measures

Our performance measures under this strategic theme are to:

- Reduce operational and delivery costs by 2% per annum
- Achieve Athena SWAN Silver award
- Monitor the number of staff attendances at facilitated learning and development events

Progress/Activity

The University has been successful in progressing efficiency in this area:

- The University has established a Business Improvement Team, which is developing a distinctive method of streamlining our business processes as part of a programme to enhance revenues and reduce operational and delivery costs.
- Received Court approval, in November 2013, for investment in the joint SFC-funded Combined Heat and Power and District Energy Network, which will deliver both savings in utility costs and reductions in the University’s CO₂ emissions. The project is scheduled to complete in 2017.
- Putting in place plans to retain Athena SWAN Bronze at institutional level and three departments now hold Athena SWAN awards: Civil and Environmental Engineering (Silver, September 2013), Strathclyde Institute of Pharmacy & Biomedical Sciences (Bronze, September 2013) and Physics (Bronze, April 2014).

Risks

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

**STRATHCLYDE HOLDS
ATHENA SWAN BRONZE AT
AN INSTITUTIONAL LEVEL**



Operating and Financial Review continued

	2014 £M	2013 £M
Summary Income and Expenditure		
Income	254.4	241.6
Expenditure	(248.0)	(235.0)
Surplus before exceptional items	6.4	6.6
Gains on disposal of fixed assets	0.8	1.7
Other	0.1	0.1
Surplus for the year	7.3	8.4
Cash and borrowings		
Cash and short term investments	65.5	89.2
Borrowings	(27.2)	(8.6)
	38.3	80.6
Capital Expenditure	94.0	41.9

Overview

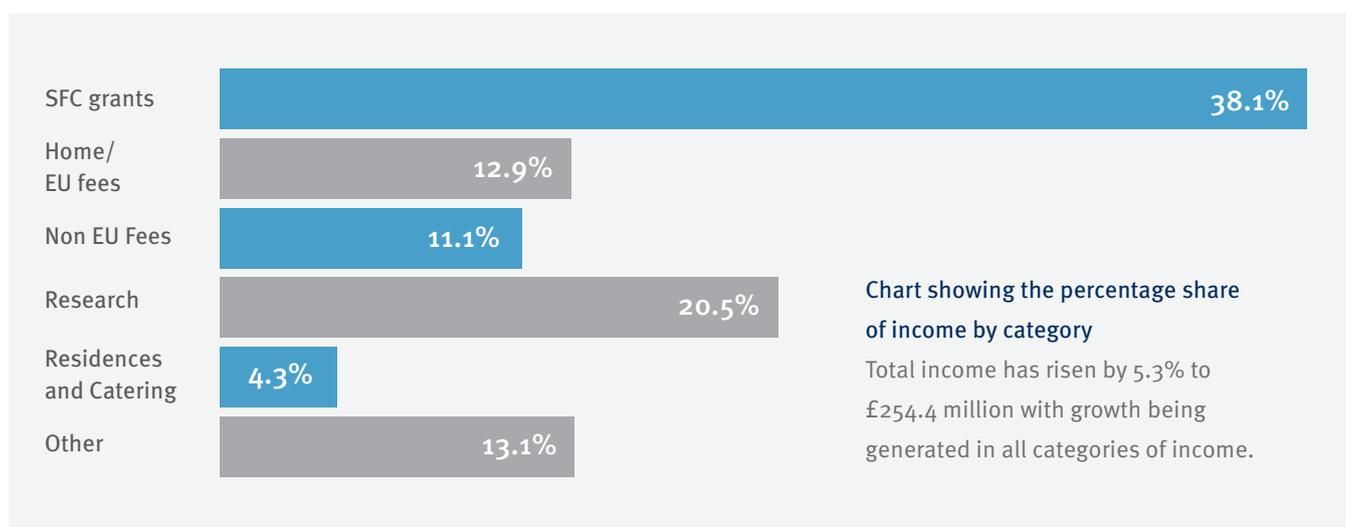
2013/14 has been another successful year for the University in financial terms. Income has grown by 5.3% to £254.4 million whilst expenditure has risen by 5.5% to £248.0 million. This has resulted in an operating surplus for the year of £6.4 million. In addition, a gain on disposal of fixed assets (£0.8 million) has arisen following the disposal of residences which were surplus to requirements, providing an overall surplus for the year of £7.3 million.

This surplus is a satisfactory outturn when compared with the forecast surplus of £4.1 million. Some £1.7 million of this variance is due to expenditure on Estates projects being

lower than anticipated, against the background of the largest ever annual spend on Estates. A further £1.0 million of this favourable variance is as a result of the FRS 17 impact of the Strathclyde Pension Fund (SPF).

Investment in the University estate and infrastructure in 2013/14 totalled £94.0 million. Notwithstanding this level of investment, unprecedented in the University's history, the University's net funds totalled £43.7 million at the year end. The University remains very well placed in terms of financial strength to continue to make significant investments in pursuit of its strategic goals.

Operating and Financial Review continued



Income

Income from SFC grants increased by 4.7% to £96.8 million. The University made a number of successful bids for additional strategic undergraduate and postgraduate places which have attracted income of £1.5 million in 2013/14. Additional funding targeted on 4* rated research contributed to the Research Excellence Grant increasing by £1.6 million. The £0.5 million increase in strategic funding reflects the University's success in securing funding for key developments such as the Industrial Biotechnology Innovation Centre.

Tuition fee income increased by £3.4 million (4.7%) to £76.2 million. Growth in postgraduate taught and postgraduate research students has been achieved in both the home/EU and overseas markets with total home/EU fee income increasing by £1.8 million and overseas income increasing by £1.3 million. Research Training Support Grant income has risen by £0.5 million as a result of expansion of Doctoral Training Centres. Income from Research Grants and Contracts has increased by 3.5% from £50.4 million to £52.2 million, with UK Central Government and UK Industry and Commerce contracts contributing significantly to this increase.

The University was successful in obtaining a substantial competitively won award of £11.4 million from the UK Research Partnership Investment Fund towards the costs of a world class National Facility for Continuous Manufacturing and Crystallisation Research for Pharmaceutical Products. The income recognised in the current year of £0.4 million is included under SFC grants rather than under research grants and contracts.

Other Income has risen by 9.8% to £26.7 million, largely due to growth in income from Residences and Catering and other commercial activities.

The increase of £0.8 million in Endowment and Investment Income is largely attributable to the FRS17 accounting adjustment for the Strathclyde Pension Fund (SPF), which reflects the difference between the expected return on scheme assets and the interest cost for the year. In 2013/14 there was a net return of £1.1 million compared to a £0.5 million charge in 2012/13, which was included within Interest Payable. Whilst this net return on assets has increased the surplus for the year by £1.1 million, actuarial changes reflected through the Statement of Total Recognised Gains and Losses have meant that the SPF pension liability has increased by £8.6 million.

Operating and Financial Review continued

Expenditure

Overall, salary costs increased by £6.3 million (4.8%). This is primarily attributable to nationally negotiated pay awards, higher expenditure on research contract staff and investment in strategic staffing appointments.

Other operating expenses increased by 4.9% to £86.8 million reflecting increased expenditure on refurbishing student residences and increased activity levels.

Investments in Infrastructure

The past year has been a milestone in our 10-year, £350 million programme to transform the estate. Capital investment in land and buildings totalled £81.5 million, more than double the University's previous highest annual investment. The estates programme is creating a first class research and learning environment.

Construction of the University's Technology and Innovation Centre (TIC) is creating a flagship building for Strathclyde's collaborative work with industry. The £89.0 million centre, the University's largest single investment in research infrastructure to date, will bring together leading academics and industrialists to devise solutions to global challenges in areas including energy, health, manufacturing and future cities. The building will be opened in December, with phased occupation thereafter. Investment in the TIC in 2013/14 totalled £44.9 million.

Following the fire in February 2012, the James Weir Building, the University's major Engineering building, has been extensively refurbished. Students and staff in the departments of Architecture; Design, Manufacture & Engineering Management (DMEM); Chemical & Process Engineering; Mechanical & Aerospace Engineering; and Civil & Environmental Engineering are benefiting from an extensive refurbishment throughout the eight-floor building, creating bright, dynamic spaces for leading-edge teaching and research. Investment in 2013/14 totalled £22.0 million.

Scientists in the John Anderson building are being supported by a £11.9 million refurbishment project to develop leading-edge facilities for advanced laser and plasma physics research and the application of the technology. Investment in 2013/14 totalled £6.0 million.

The success of Strathclyde's Advanced Forming Research Centre (AFRC) has been reflected by an expansion which has seen it more than double in size. The Centre at Inchinnan, Renfrewshire, has been increased to 5,400 square metres in a development which was completed just before the end of 2013. This will enable us to enhance further our research capacity and offer support to an increasing range of sectors, from transport to energy and health. The Centre was established in 2009 and is a partner in the UK-wide High Value Manufacturing Catapult, the first of a range of elite centres established by the UK Government to catalyse the progress of innovative research to beneficial technology. Investment in the Centre in 2013/14 totalled £3.5 million.

Facilities for the Strathclyde Business School are being transformed through a £23.2 million investment, which commenced in 2014. Bringing the entire faculty together in a single business quarter will provide first-class facilities for our staff and students to build upon the School's strengths in research, teaching and collaborative ventures. Investment in 2013/14 totalled £1.3 million.

Strathclyde's Power Networks Demonstration Centre (PNDC) is now fully operational, following the completion of its £9 million build. The Cumbernauld-based centre is a world-class facility which epitomises the University's close and productive links with industry. Its researchers are finding solutions to meet the demand for secure, reliable and environmentally sound energy supplies. Investment in 2013/14 totalled £0.5 million.

Operating and Financial Review continued

Net funds and cash flow

At 31 July 2014 net funds totalled £43.7 million (2013 £86.0 million). Some £17.5 million of cash was generated from operations. Further details on cash flow movements are given in Notes 24 to 30 of the Financial Statements.

Investment performance

The University's investment portfolio includes the investment of endowment funds shown in Note 21 and a general portfolio of investments that are intended to be held for use on a continuing basis in the activities of the University.

The investment portfolios are managed by professional fund managers under discretionary management arrangements. Investment performance is reviewed annually with the fund managers by reference to agreed benchmarks.

The total value of fixed asset investments and endowment assets increased by £0.7 million during the year.

Treasury management

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

Court considers future borrowing requirements during the annual planning process when rolling three year forecasts are prepared. These reflect the anticipated cash position of the University taking account of anticipated operating performance and planned developments within the Estates Strategy. The University has a £90.0 million banking facility with the European Investment Bank which will assist in funding the Technology and Innovation Centre and in refurbishing a number of key campus locations. In July 2014, the University drew down £20.0 million from this facility.

Disability Policy

The University is committed to promoting opportunities for staff and students with disabilities. This covers recruitment, appraisal and training opportunities, support, awareness training for staff, implementation, monitoring and a complaints procedure. The University employs a Disability Service Manager and a team of disability advisers who work to improve access and inclusion of students with disabilities.

Equality and Diversity Policy

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

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

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 £16.5 million. Given that the University paid a total of £155.0 million to trade creditors during the year, the amount outstanding at the year end represents 39 days (2012/13 42 days). Whilst the figures in both years are higher than normal, this is not due to any delay in making payment to creditors but is attributable to a high level of capital creditors at 31 July in both years. During the year no interest was paid in relation to the Late Payment of Commercial Debts (Interest) Act 1998.

Operating and Financial Review continued

Looking to the future

Growth in non-governmental income remains a key priority, particularly as the University faces the costs of servicing its additional borrowings together with pressures on salary costs including increases in National Insurance and Pension contributions. The University continues to facilitate this growth through important investments in strategic staffing appointments and physical and IT infrastructure. The completion this year of the Technology and Innovation Centre, will transform the way academics, business, industry and the public sector collaborate and our recently announced collaboration with the National Physical Laboratory will provide further opportunities for growth.

J S Perry
Treasurer
20 November 2014

D Coyle
Chief Financial Officer
20 November 2014





Statement of Corporate Governance and Internal Control

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 the UK Corporate Governance Code issued by the Financial Reporting Council (FRC) in June 2010 and with the Scottish Code of Good Higher Education Governance. The Scottish Code came into force on 1 August 2013, with universities expected to implement any required changes over the 2013/14 academic year. Court approved a number of changes to comply with the Scottish Code during 2013/14, with the University in full compliance with the Code's principles at the close of the 2013/14 academic year.

Role of Court and general outline of corporate governance

Under the terms of the University Charter and Statutes, Court is the Governing Body of the University and is responsible for overseeing the management and administration of the whole of the revenue and property of the University as well as academic-related matters, which are primarily devolved to Senate and its attendant committees and structures. Court exercises general control over the University and all its affairs, purposes and functions, taking all final decisions on matters of fundamental concern to the University.

Court has a majority of lay members and includes members of academic staff, non-teaching staff and two student members. The University Court has adopted a Code of Conduct for its members which is set out in the Handbook for Members of Court and maintains a register of interests of members of the Court.

Court has in place a range of financial and non-financial performance measures related to the University's strategic objectives.

A detailed schedule of reports is in place to ensure that the main strands of University strategy are reviewed annually and in a consistent manner. In particular, there is an annual strategic meeting which is used to assess organisational performance against strategy.

In 2013/14, Court met six times. Much of its detailed work is initially handled by several committees, including a Staff Committee, a Remuneration Committee, a Court Business Group, a Court Membership Group, an Audit Committee and an Estates Committee. All of these committees are formally constituted, with terms of reference approved by Court, have lay members in their membership, and report formally to Court.

A number of training opportunities were made available to Court members over the course of the year, with members attending the following:

- Higher Education Sector Update and Briefing (Deloitte, 19 September 2013)
- Public Sector Good Governance Conference (MacKay Hannah, 9 October 2013).

Statement of Corporate Governance and Internal Control continued

Court Business Group

The Court Business Group considers the business coming forward to Court in order to ensure that Court receives the information it needs to take clear, effective decisions. It also considers strategic financial matters prior to their discussion at Court.

Staff Committee

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

Remuneration Committee

The Remuneration Committee determines the remuneration of the most senior staff, including the Principal, and is chaired by a senior Lay Member of Court. The Remuneration Committee's terms of reference are made available on the University's website.

Court Membership Group

The Court Membership Group is chaired by the Convener of Court and considers nominations for co-opted vacancies in Court's membership under Statute 2 of the University's Statutes, and also considers the matter of succession planning in relation to Court membership and in Court's representation on other University committees. A number of lay members are appointed to Court by external bodies.

In 2013/14, the University undertook a recruitment exercise for three new Lay Members of Court. This was conducted by means of open advertisement and in accordance with the requirements of the Scottish Code of Good HE Governance.

Audit Committee

The Audit Committee plays a key role in assisting Court review the arrangements for internal control and risk management. It meets normally five times a year including an annual workshop event, with the Internal Auditors in attendance at all meetings and the External Auditors in attendance at two meetings per year. Whilst senior executives attend meetings of the Audit Committee as necessary, they are not members. Committee members meet on their own, with the Internal Auditors and with the External Auditors for independent discussions. The Committee considers detailed reports together with recommendations for the improvement of the University's systems of internal control and management's responses and implementation plans.

It also receives and considers the Corporate Risk Register and reports from the Funding Council and other bodies as they affect the University's business and monitors adherence to regulatory requirements.

Estates Committee

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

Statement of Corporate Governance and Internal Control continued

Executive Team

The Executive Team is responsible for providing recommendations on the overall strategic direction of the University, for considering all major initiatives emerging and the resources required to support them, and for proposing these to Senate and Court as appropriate for final approval. It is also responsible for monitoring the implementation of major strategic developments and regularly reviewing the overall University strategy. The Executive Team is chaired by the Principal, who is responsible for the general supervision of the University. The membership comprises all the Senior Officers, including Executive Deans. In 2013/14, it met on a fortnightly basis.

Effectiveness Review

Court continues to keep its effectiveness under regular review, including assessing its compliance against the new Scottish Code of Good Higher Education Governance throughout the academic year and implementing changes where necessary. This has included a revision of the Statement of Primary Responsibilities and a formal survey of all Court members in order to highlight examples of good practice and identify potential areas for improvement. Subsequent actions to deliver improvements are considered by Court.

Risk Management

The University views Risk Management as integral to the successful execution of its Strategic Plan. There is a process for identifying, evaluating and managing the University's significant risks which complies with the updated Turnbull Committee guidance on internal control. Risk registers are produced at Department/Divisional level and Faculty/

Directorate level where they are regularly reviewed and managed by the appropriate individuals/committees with regular reports being made from one level to the next in the structure.

At each stage the risks are evaluated and distilled, leading to the production of the Corporate Risk Register which is reviewed and managed by the Executive Team. The information is also used to inform the strategic planning process.

A Risk Group, chaired by the Chief Operating Officer, is responsible for supporting and advising the Executive Team, and through it Court, on the implementation and monitoring of the risk framework.

The Corporate Risk Register was presented to Court at its November 2013 and October 2014 meetings, to enable Court to carry out its annual assessment, which also takes into account reports from its various committees and events that have occurred since 31 July 2013. 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.

Statement of Internal Control

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

Statement of Corporate Governance and Internal Control continued

Court keeps issues of control and risk under review and receives reports thereon from both the Executive Team and the Audit Committee. This includes reviewing quarterly Business Reports, which provide information on financial performance and reviewing mitigating actions and the selection of top risks within the Corporate Risk Register. Additionally, Court reviewed and amended its Schedule of Delegated Authority and Statement of Primary Responsibilities at the May 2014 meeting.

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

Conclusion

Based on the above noted process, Court is of the view that there were adequate and effective internal controls in place and that there was an adequate and effective process for identifying, evaluating and managing the University's significant risks during the year ended 31 July 2014 and up to the date of signing the annual report and accounts.

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

Embracing best practice in corporate governance is intended to ensure stronger alignment with the mission and vision of the University, across all areas. This will also serve to deliver improvements in governance structures, decision-making processes, efficiency of operation and effectiveness in monitoring and control systems.

J S Perry
Treasurer
20 November 2014



Statement of Primary Responsibilities of the University Court

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

Audited Financial Statements

Court is required to present audited Financial Statements for each financial year. It is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the University and which enable 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 Court, Court through its Accounting Officer is required to prepare Financial Statements for each financial year which give a true and fair view of the state of affairs of the University and of the surplus or deficit and cash flows for that year. The Principal is the University's Accounting Officer who is responsible for satisfying Court that there is compliance with the conditions of the Financial Memorandum.

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

- judgements and estimates that are made are reasonable and prudent;
 - applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
 - the going concern basis is applied unless it is inappropriate to presume that the University will continue in operation.
- Court has taken reasonable steps to:
- ensure that funds from the Scottish Funding Council are used only for the purposes for which they have been given and in accordance with the Financial Memorandum with the Funding Council and any other conditions which the Funding Council may from time to time prescribe;
 - ensure that there are appropriate financial and management controls in place to safeguard public funds and funds from other sources;
 - safeguard the assets of the University and hence to take reasonable steps to prevent and detect fraud;
 - secure the economic, efficient and effective management of the University's resources and expenditure.
- suitable accounting policies are selected and applied consistently;

Statement of Primary Responsibilities of the University Court continued

Court's Primary Responsibilities, as approved by the University Court on 1 May 2014, are detailed as follows:

Staff and students

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

Financial responsibilities

- To ensure the solvency of the University and to safeguard its assets;
- To act as trustee for any property, legacy endowment, bequest or gift in support of the work and welfare of the institution;
- To approve the University's annual financial statements;
- To ensure that proper books of accounts are kept in accordance with all relevant regulations and codes of conduct;
- To ensure the proper use of public funds awarded to the University and to ensure that the terms of the Financial Memorandum with the Funding Council are observed;
- To approve the main annual budgets within the University;
- To ensure appropriate arrangements for the economic, efficient and effective management of the University's resources and expenditure;

Strategic responsibilities

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

Statement of Primary Responsibilities of the University Court continued

Controls

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

Monitoring performance and effectiveness

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

Independent Auditors' Report to the University Court

We have audited the financial statements of the University of Strathclyde for the year ended 31 July 2014 which comprise the Income and Expenditure Account, the Statement of Total Recognised Gains and Losses, the Balance Sheet, the Cash Flow Statement and the related notes 1 to 34. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the University Court of the University of Strathclyde, as a body, in accordance with the Charter and Statutes of the University; and in accordance with section 44(1)(c) of the Charities and Trustee Investment (Scotland) Act 2005 and regulation 10 of the Charities Accounts (Scotland) Regulations 2006 (as amended). Our audit work has been undertaken so that we might state to the University Court those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the University Court of the University of Strathclyde as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the University Court and auditor

As explained more fully in the Statement of Primary Responsibilities of Court set out on pages 21 to 23, the University Court is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

We have been appointed as auditors under the Charter and Statutes of the University and also under section 44(1)(c) of the Charities and Trustee Investment (Scotland) Act 2005 and report in accordance with regulations made under that Act. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Independent Auditors' Report to the University Court continued

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the University's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the University Court; and the overall presentation of the financial statements.

In addition, we read all the financial and non-financial information in the Principal's Report, Operating and Financial Review, Statement of Corporate Governance and Internal Control and Court Membership to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the University's affairs as at 31 July 2014 and of the surplus of income over expenditure and the cash flows for the year then ended;
- have been properly prepared in accordance with the Statement of Recommended Practice: Accounting for Further and Higher Education;
- have been prepared in accordance with the requirements of the Charities and Trustee Investment (Scotland) Act 2005 and the Charities Accounts (Scotland) Regulations 2006 (as amended).

Opinion on other matters prescribed by applicable regulations

In our opinion:

- 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, the Financial Memorandum with the Scottish Funding Council

Matters on which we are required to report by exception

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

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

Ernst & Young LLP
Statutory Auditor
Glasgow

20 November 2014

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

Income and Expenditure Account

for the year ended 31 July 2014

	Note	2014 £000	2013 £000
Income			
Funding Council grants	2	96,769	92,431
Tuition fees and education contracts	3	76,163	72,716
Research grants and contracts	4	52,184	50,411
Other income	5	26,686	24,310
Endowment and investment income	6	2,575	1,733
Total income		254,377	241,601
Expenditure			
Staff costs	7	139,210	132,870
Other operating expenses	9	86,773	82,716
Depreciation	9	21,743	18,759
Interest and other finance costs	8	288	663
Total expenditure	9	248,014	235,008
Surplus after depreciation of assets		6,363	6,593
Exceptional items	10	830	1,717
Surplus after depreciation of assets at cost and disposal of assets		7,193	8,310
Transfer from accumulated income in endowment funds		130	71
Surplus for the year	22	7,323	8,381

The income and expenditure of the University relates 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 Total Recognised Gains and Losses

for the year ended 31 July 2014

	Note	2014 £000	2013 £000
Surplus on continuing operations		7,193	8,310
Appreciation on revaluation of fixed asset investments	12,22	9	1,002
Appreciation of endowment assets	21	133	3,115
New endowments	21	197	69
Actuarial (loss)/gain in respect of pension scheme	22	(9,608)	20,140
Total recognised (losses)/gains relating to the year		(2,076)	32,636
Reconciliation			
Opening reserves and endowments		140,693	108,057
Total recognised (losses)/gains for the year		(2,076)	32,636
Closing reserves and endowments		138,617	140,693

Balance Sheet

as at 31 July 2014

	Note	2014 £000	2013 £000
Fixed assets			
Tangible assets	11	294,480	222,467
Investments	12	10,286	9,745
		304,766	232,212
Endowment assets	13	27,040	26,840
Current assets			
Surplus assets for disposal	14	16,765	16,765
Stock		201	180
Debtors	15	14,756	18,876
Investments	16	5,000	30,000
Cash at bank and in hand		60,480	59,222
		97,202	125,043
Creditors: amounts falling due within one year	17	(84,051)	(77,392)
Net current assets		13,151	47,651
Total assets less current liabilities		344,957	306,703
Creditors: amounts falling due after more than one year	18	(25,740)	(7,220)
Provisions for liabilities	19	(8,362)	(8,721)
Net assets excluding pension liability		310,855	290,762
Net pension liability	31	(24,913)	(16,323)
Net assets including pension liability		285,942	274,439

Balance Sheet

as at 31 July 2014 continued

	Note	2014 £000	2013 £000
Deferred capital grants	20	147,325	133,746
Endowments			
Expendable	21	960	1,226
Permanent	21	26,080	25,614
		27,040	26,840
Reserves			
Income and Expenditure Account excluding pension reserve	22	135,065	128,464
Pension reserve	22	(24,913)	(16,323)
Income and Expenditure Account Including pension reserve		110,152	112,141
Revaluation reserve	22	1,425	1,712
		111,577	113,853
Total Funds		285,942	274,439

The Financial Statements were approved by the University Court on 20 November 2014, and signed on its behalf by:

Professor Sir J McDonald
Principal and Vice-Chancellor

J S Perry
Treasurer

D Coyle
Chief Financial Officer

Cash Flow Statement

for the year ended 31 July 2014

	Note	2014 £000	2013 £000
Net cash inflow from operating activities	24	17,495	26,325
Returns on investments and servicing of finance	25	1,331	1,616
Capital expenditure and financial investment	26	(61,139)	(16,082)
Management of liquid resources	27	25,000	28,000
Financing	28	18,620	(1,280)
Increase in cash in the year		1,307	38,579
Reconciliation of net cash flow to movement in net funds			
Increase in cash in the year		1,307	38,579
Change in short term deposits	27	(25,000)	(28,000)
Change in debt	28	(18,620)	1,280
Change in net funds		(42,313)	11,859
Net funds at 1 August		85,967	74,108
Net funds at 31 July	29	43,654	85,967

Notes to the Financial Statements

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, in accordance with applicable Accounting Standards and in accordance with the Accounts Direction issued by the Scottish Funding Council.

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

The Financial Statements of subsidiary undertakings (note 12) have not been consolidated with those of the University on the basis that the amounts involved are not material.

The financial statements do not include those of the Students' Association because the University does not control its activities.

Income recognition

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

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

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

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.

1. Principal Accounting Policies continued

Income recognition continued

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

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

Agency arrangements

Funds the University receives and disburses as paying agent on behalf of a funding body or other body, where the University 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 University.

Value Added Tax (VAT)

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

Accounting for charitable donations

Unrestricted donations

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

Endowment funds

Where charitable donations are to be retained for the benefit of the University 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 University.
- Restricted expendable endowments – the donor has specified a particular objective other than the purchase or construction of tangible fixed assets, and the University 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 participates in the Universities Superannuation Scheme (USS), the Strathclyde Pension Fund (SPF) and the Scottish Teachers Superannuation Scheme (STSS). These are defined benefit schemes which are contracted out of the Second State Pension (S2P).

The assets of USS and STSS are held in separate trustee-administered funds. Because of the mutual nature of the schemes, the schemes' assets are not hypothecated to individual institutions and scheme wide contribution rates are set. The University is, therefore, exposed to actuarial risks associated with other institutions' employees and is unable to identify its share of the underlying assets and liabilities of the schemes on a consistent and reasonable basis and, therefore, as required by FRS17 'Retirement Benefits', the University

1. Principal Accounting Policies continued

Accounting for retirement benefits continued

accounts for these schemes as if they were defined contribution schemes. As a result, the amounts charged to the Income and Expenditure Account represent the contributions payable to the schemes in respect of the accounting period.

The expected cost of providing pension benefits to employees contributing to SPF is recognised in the Income and Expenditure Account on a systematic basis over their expected average lives. Pension scheme assets are measured using market value. Pension scheme liabilities are calculated on an actuarial basis using the projected unit method and discounted at the current rate of return on a high quality corporate bond of equivalent term and currency to the liability.

The pension scheme surplus (to the extent that it is recoverable) or deficit is recognised in full. The movement in the scheme surplus/deficit is recognised in either the Income and Expenditure Account or the Statement of Total Recognised Gains and Losses.

Foreign currencies

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

Land and buildings

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

Land which is held freehold is not depreciated as it is considered to have an indefinite useful life. Freehold buildings are depreciated over their expected useful lives of up to 50 years. Leasehold land and buildings are amortised over the

life of the lease up to a maximum of 50 years. Alterations and additions to buildings are depreciated over the expected useful life of the work carried out.

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

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

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

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

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.

1. Principal Accounting Policies continued

Equipment continued

The related grant is treated as a deferred capital grant and released to income over the expected useful life of the equipment.

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

Heritage assets

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

Surplus assets for disposal

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

Repairs and maintenance

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

Investments

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

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

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

Stock

Stocks for maintenance, catering, and central stationery are valued at the lower of cost and net realisable value.

Departmental stocks are charged to the Income and Expenditure Account in the year of purchase.

Provisions, contingent liabilities and contingent assets

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

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

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

Cash flows and liquid resources

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

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

2. Funding Council grants

	2014 £000	2013 £000
General Fund – Teaching	62,814	61,088
General Fund – Research and Knowledge Exchange	23,123	21,186
Release of deferred capital grants	5,575	5,747
Strategic funding	1,717	1,193
Ring-fenced grants funded by Scottish Government	973	676
Other SFC grants	2,567	2,541
	96,769	92,431

3. Tuition fees and education contracts

	2014 £000	2013 £000
Scotland and EU fees	32,035	30,213
Rest of UK fees (old rates)	282	402
Rest of UK fees (new rates)	441	276
Non EU fees	28,260	27,005
Non credit bearing course fees	7,649	7,575
Education contracts	1,833	2,095
Other contracts	5,663	5,150
	76,163	72,716

4. Research grants and contracts

	2014 £000	2013 £000
Research Councils	16,387	19,110
UK based charities	3,877	4,276
European Commission	6,441	5,900
Other grants and contracts	21,786	18,034
Released from deferred capital grants	3,693	3,091
	52,184	50,411

5. Other income

	2014 £000	2013 £000
Residences and catering	10,879	9,661
Other services rendered	7,586	6,695
Released from deferred capital grants	1,088	1,258
Royalty income	324	364
Accommodation charges and rental income	225	201
Other departmental income	3,033	2,848
Donations and subventions	1,340	1,072
Other	2,211	2,211
	26,686	24,310

6. Endowment and investment income

	Note	2014 £000	2013 £000
Income from expendable endowments		13	8
Income from permanent endowments		717	726
Interest receivable		500	721
Investment income		278	278
Net return on pension scheme	31	1,067	-
		2,575	1,733

7. Staff costs

	Note	2014 £000	2013 £000
Wages and salaries		112,735	107,573
Social security costs		9,746	9,134
Other pension costs	31	16,729	16,163
		139,210	132,870

Average staff numbers by major category:	2014 Number	2013 Number
Academic	917	882
Professional Services	1,281	1,199
Research	481	477
Operational	670	668
	3,349	3,226

7. Staff costs continued

	2014 £000	2013 £000
Total remuneration of the Principal and Vice-Chancellor including pension contributions was	334	312

Included within the remuneration figures are amounts in respect of benefits-in-kind. The University's contributions to the Universities Superannuation Scheme in respect of the Principal's pension are paid at the same rates as for other staff. During the year to 31 July 2013, the Principal ceased to pay contributions into the Universities Superannuation Scheme and the University's contributions to the pension scheme were paid to the Principal as salary on an equivalent basis. Total remuneration included pension contributions of £Nil (2013 £20,000).

The number of staff, including senior postholders other than the Principal, who received emoluments, excluding employer's pension contributions, in the following ranges was:

	Senior	2014 Other	Total	Senior	2013 Other	Total
£70,001 - £80,000	-	57	57	-	62	62
£80,001 - £90,000	-	55	55	-	38	38
£90,001 - £100,000	1	19	20	1	19	20
£100,001 - £110,000	-	9	9	-	9	9
£110,001 - £120,000	-	5	5	-	5	5
£120,001 - £130,000	2	2	4	4	1	5
£130,001 - £140,000	2	-	2	-	-	-
£140,001 - £150,000	-	1	1	-	2	2
£150,001 - £160,000	-	1	1	1	1	2
£160,001 - £170,000	1	1	2	1	-	1
£170,001 - £180,000	1	2	3	-	-	-

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

7. Staff costs continued

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

	2014 £000	2013 £000
Compensation paid	64	-

8. Interest and other finance costs

	Note	2014 £000	2013 £000
Loans not wholly repayable within five years		288	209
Net charge on pension scheme	31	-	454
		288	663

9. Analysis of expenditure by activity

	Staffing Costs £000	Other operating expenses £000	Interest and other finance costs £000	2014 £000	2013 £000
Academic departments	75,847	23,451	-	99,298	95,666
Academic services	11,178	5,800	-	16,978	16,367
Research grants and contracts	18,944	15,863	-	34,807	33,732
Administration and central services	16,337	8,222	-	24,559	22,177
Residences and catering	2,854	4,807	-	7,661	5,967
Premises	8,292	16,942	-	25,234	24,948
Other expenses	5,758	11,688	288	17,734	17,392
	139,210	86,773	288	226,271	216,249
Depreciation				21,743	18,759
Total per income and expenditure account				248,014	235,008
The depreciation charge has been funded by:					
Deferred capital grants released				10,356	10,096
General income				11,387	8,663
				21,743	18,759
Other operating expenses include:					
External auditors remuneration - audit services				61	60
External auditors remuneration - non-audit services				40	7

The payment to our external auditors for non-audit services relates to advice given regarding information security and the implementation of the new Statement of Recommended Practice.

10. Exceptional items

	2014 £000	2013 £000
Gain on disposal of land and buildings	830	1,717

During the year the University sold residences which were surplus to requirements for proceeds of £1,125,000, which after deducting disposal costs and the net book value of the assets resulted in a gain of £830,000.

The prior year exceptional item relates to a fire which the University experienced in its James Weir Building on 7 February 2012. The fire resulted in significant smoke, water and other interior damage to the teaching and research facilities and equipment within the building.

The University has insurance cover for its buildings, contents and the higher costs of continuing business in the aftermath of such an event. In August 2013, the University reached a negotiated settlement of the entire claim resulting in a cumulative total receipt of £15.6 million including contents, increased costs of working, emergency works and building reinstatement.

An element of the claim was in respect of asset replacement. A net accounting gain of £1,717,000 arose in the year to 31 July 2013 as the assets replaced had a replacement cost (£4,210,000) which exceeded the book value of the damaged assets that were derecognised (£2,493,000).

11. Tangible Fixed Assets

	Freehold £000	Long leasehold £000	Assets under construction £000	Equipment £000	Total £000
Cost					
At 1 August 2013	296,771	10,161	19,030	46,765	372,727
Additions	32,641	533	48,334	12,519	94,027
Transfers	7,452	-	(7,452)	-	-
Disposals	(420)	-	-	(6,743)	(7,163)
At 31 July 2014	336,444	10,694	59,912	52,541	459,591
Depreciation					
At 1 August 2013	119,040	8,321	-	22,899	150,260
Charge for year	13,361	444	-	7,938	21,743
Disposals	(149)	-	-	(6,743)	(6,892)
At 31 July 2014	132,252	8,765	-	24,094	165,111
Net book value at 31 July 2014	204,192	1,929	59,912	28,447	294,480
Net book value at 31 July 2013	177,731	1,840	19,030	23,866	222,467

Buildings with a net book value of £238,474,000 and cost of £358,649,000 have been funded in part or in whole from Treasury sources. Should these particular buildings be sold, the University would have to surrender the relevant proceeds to the Treasury or use them in accordance with the Financial Memorandum with the Scottish Funding Council.

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

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

12. Fixed asset investments

	2014 £000	2013 £000
At 1 August	9,745	8,224
Additions	2,356	2,117
Disposals	(2,008)	(1,488)
Increase in market value of investments	9	1,002
Increase/(decrease) in cash balances	184	(110)
At 31 July	10,286	9,745
Represented by:		
Fixed interest investments (listed)	1,351	1,775
Equities (listed)	7,350	6,962
Cash at bank	570	386
Spin-out company investments	963	570
Other	52	52
	10,286	9,745

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

The University's subsidiary undertakings are:

	%		Main	Year
	Holding		Activity	End
Strathclyde University Incubator Limited	100	Incubator for technology based business		31/7/14
University of Strathclyde Properties Limited	100		Dormant	31/7/14
Haleno Limited	100		Dormant	31/7/14
SGBS Limited	100		Dormant	31/7/14

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

13. Endowment assets

	2014 £000	2013 £000
At 1 August	26,840	23,727
Additions	5,403	8,215
Disposals	(5,201)	(8,445)
Increase in market value of investments	133	3,115
(Decrease)/increase in cash balances held for endowment funds	(135)	228
At 31 July	27,040	26,840
Represented by:		
Fixed interest investments (listed)	3,928	3,846
Equities (listed)	18,052	17,805
Bank deposits	236	230
Cash at bank held for endowment funds	4,824	4,959
Total endowment assets	27,040	26,840
Fixed interest investments and equities at cost	18,161	16,790

14. Surplus assets for disposal

Surplus assets for disposal include land and buildings at Jordanhill and land at Kilmardinny. The University has obtained planning permission in principle for the erection of a residential development at Jordanhill and intends to proceed with the disposal of the site in early 2015.

15. Debtors

	2014 £000	2013 £000
Debtors	10,313	14,028
Prepayments and accrued income	4,443	4,848
	14,756	18,876

16. Current asset investments

	2014 £000	2013 £000
Deposits maturing: in one year or less	5,000	30,000

Deposits are held with banks operating in the London market and licensed by the Financial Conduct Authority. These deposits have more than 24 hours maturity at the balance sheet date. At 31 July 2014 the weighted average interest rate of these fixed deposits was 0.5% per annum and the remaining weighted average period for which the interest rate is fixed on these deposits was 60 days. The fair value of these deposits was not materially different from the book value.

17. Creditors: amounts falling due within one year

	2014 £000	2013 £000
Unsecured loans	1,480	1,380
Creditors	14,769	17,869
Social security and other taxation payable	2,910	2,887
Accruals	15,989	11,620
Deferred income	48,903	43,636
	84,051	77,392

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

	2014 £000	2013 £000
Analysis of unsecured loans:		
Due within one year or on demand	1,480	1,380
Due between one and two years	1,600	1,480
Due between two and five years	6,481	5,140
Due in five years or more	17,659	600
	27,220	8,600
Due within one year or on demand	(1,480)	(1,380)
Due after more than one year	25,740	7,220

An unsecured bank loan of £20,000,000 (2013 £Nil) from the European Investment Bank is repayable by instalments between 31 July 2017 and 31 July 2034 and interest is charged at 0.343% above the 6 month LIBOR rate. The other unsecured bank loan of £6,624,000 (2013 £8,000,000) is repayable by instalments between 1 August 2014 and 31 July 2018 and interest is charged at 0.5% above the Base Rate. The University also has interest free loans totalling £600,000 (2013 £600,000) from Salix Finance Ltd which are partially repayable in five years or more. The dates and quantum of repayments are wholly dependent upon the timing of expenditure and savings related to various energy efficiency and renewable energy projects funded by these loans, which require matched funding by the University.

19. Provisions for liabilities

	Pensions £000	Dilapidations £000	Total £000
At 1 August 2013	8,721	-	8,721
Expenditure in the year	(1,113)	-	(1,113)
Transfer from Income and Expenditure Account	96	350	446
Revaluation adjustment	308	-	308
	8,012	350	8,362

Pensions

The University has an obligation in respect of former employees who have retired and for whom an enhanced pension has been provided. Some £7,186,000 (2013 £7,413,000) of this liability continues throughout the retirement period and is assessed by independent actuarial valuation. The principal assumptions are a discount rate of 4.1% (2013 4.0%) and pension increases of 2.4% (2013 2.5%). The balance of £827,000 (2013 £1,308,000) relates to the estimated cost of enhanced benefits and strain costs which will be settled via future payments to the Universities Superannuation Scheme and the Scottish Teachers' Superannuation Scheme.

Dilapidations

The University has an obligation in respect of dilapidations to leasehold property.

20. Deferred capital grants

	Funding Council £000	Other grants and benefactions £000	Total £000
At 1 August 2013			
Buildings	74,201	41,774	115,975
Equipment	6,085	11,686	17,771
Total	80,286	53,460	133,746
Cash Receivable			
Buildings	10,341	6,972	17,313
Equipment	1,484	5,138	6,622
Total	11,825	12,110	23,935
Released to income and expenditure			
Buildings	4,248	1,657	5,905
Equipment	1,327	3,124	4,451
Total	5,575	4,781	10,356
At 31 July 2014			
Buildings	80,294	47,089	127,383
Equipment	6,242	13,700	19,942
Total	86,536	60,789	147,325

21. Endowments

	Unrestricted Permanent £000	Restricted Permanent £000	Total Permanent £000	Restricted Expendable £000	2014 Total £000	2013 Total £000
At 1 August						
Capital	3,966	19,198	23,164	-	23,164	20,013
Accumulated income	-	2,450	2,450	1,226	3,676	3,714
	3,966	21,648	25,614	1,226	26,840	23,727
New endowments	7	161	168	29	197	69
Investment income	134	583	717	13	730	734
Expenditure	(134)	(415)	(549)	(311)	(860)	(805)
	-	168	168	(298)	(130)	(71)
Increase in market value of investments	139	(9)	130	3	133	3,115
At 31 July	4,112	21,968	26,080	960	27,040	26,840
Represented by:						
Capital	4,112	19,350	23,462	-	23,462	23,164
Accumulated income	-	2,618	2,618	960	3,578	3,676
	4,112	21,968	26,080	960	27,040	26,840

21. Endowments

Major Endowments:

Restricted Permanent endowments include four major individual funds:

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

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

	T B Hunter Charitable Trust £000	Sir David S Anderson Trust £000	Glaxo £000	Robertson Trust £000
At 1 August 2013	4,893	1,288	1,981	1,417
Investment income	196	35	51	34
Expenditure	(196)	(8)	(51)	(34)
Increase in market value of investments	25	4	16	26
At 31 July 2014	4,918	1,319	1,997	1,443

22. Reserves

	Income and Expenditure Account £000	Revaluation Reserve £000	Pension Reserve £000	Total £000
At 1 August 2013	128,464	1,712	(16,323)	113,853
Surplus for the year	7,323	-	-	7,323
Revaluation of fixed asset investments	-	9	-	9
Realised revaluation gain on sale of investments	296	(296)	-	-
Actuarial loss	-	-	(9,608)	(9,608)
Surplus retained within reserves	(1,018)	-	1,018	-
At 31 July 2014	135,065	1,425	(24,913)	111,577

23. Capital commitments

	2014 £000	2013 £000
Commitments contracted at 31 July	27,595	70,470

Of the above commitments, £1,497,000 (2013 £18,112,000) will be funded from external sources.

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

	2014 £000	2013 £000
Surplus after depreciation of assets at cost	7,193	8,310
Depreciation of tangible fixed assets	21,743	18,759
Deferred capital grants released to income	(10,356)	(10,096)
Investment income	(2,676)	(1,733)
Loss/(gain) on sale of investments	60	(69)
Gain on disposal of tangible fixed assets	(830)	(1,717)
Interest payable	288	663
(Increase)/decrease in stocks	(21)	66
Decrease/(increase) in debtors	2,947	(446)
(Decrease)/increase in creditors	(543)	12,532
Decrease in provisions	(359)	(334)
Pension costs less contributions payable	49	390
Net cash inflow from operating activities	17,495	26,325

25. Returns on investments and servicing of finance

	2014 £000	2013 £000
Income from endowments	730	734
Interest received and investment income	889	1,111
Interest paid	(288)	(229)
Net cash inflow from returns on investments and servicing of finance	1,331	1,616

26. Capital expenditure and financial investment

	2014 £000	2013 £000
Payments to acquire tangible fixed assets	(89,620)	(45,149)
Deferred capital grants received	27,793	25,118
Endowment assets acquired and received	(5,206)	(8,146)
Receipts from sale of endowment assets	5,201	8,445
Purchase of fixed asset investments	(2,356)	(2,117)
Receipts from sale of fixed asset investments	1,948	1,557
Receipts from sale of tangible fixed assets	1,101	4,210
Net cash outflow for capital expenditure and financial investment	(61,139)	(16,082)

27. Management of liquid resources

	2014 £000	2013 £000
Decrease in short term deposits	25,000	28,000

28. Financing

	2014 £000	2013 £000
New unsecured loan	20,000	-
Repayments of unsecured loans	(1,380)	(1,280)
Net cash inflow/(outflow) from financing	18,620	(1,280)

29. Analysis of changes in net funds

	At 1 August 2013 £000	Cash flow £000	Non-cash changes £000	At 31 July 2014 £000
Investments	386	184	-	570
Endowment assets	4,959	(135)	-	4,824
Cash in hand and in bank	59,222	1,258	-	60,480
	64,567	1,307	-	65,874
Short-term investments	30,000	(25,000)	-	5,000
Debts due within one year	(1,380)	1,380	(1,480)	(1,480)
Debts due after one year	(7,220)	(20,000)	1,480	(25,740)
	85,967	(42,313)	-	43,654

30. Cash flows relating to exceptional items

Operating cash flows include an outflow of £259,000 (2013 £1,219,000), in respect of exceptional restructuring costs.

31. Pension schemes

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

	2014 £000	2013 £000
The total pension costs for the year were:		
USS	13,836	12,934
SPF	2,809	3,143
STSS	84	86
	16,729	16,163

31. Pension schemes continued

With the exception of the Strathclyde Pension Fund, the University has, as permitted by FRS 17, accounted for these schemes as though they were defined contribution schemes and the costs recognised within the University's Income and Expenditure Account is equal to the contributions payable to the schemes in the year.

	2014 £000	2013 £000
Outstanding contributions at 31 July were:		
USS	1,805	1,727
SPF	243	246
STSS	12	12
	2,060	1,985

Universities Superannuation Scheme

The University participates in the Universities Superannuation Scheme (USS), a defined benefit scheme which is contracted out of the State Second Pension (S2P). The assets of the scheme are held in a separate fund administered by the trustee, Universities Superannuation Scheme Limited.

The latest triennial actuarial valuation of the scheme was at 31 March 2011. This was the second valuation for USS under the scheme specific funding regime introduced by the Pensions Act 2004, which requires schemes to adopt a statutory funding objective, which is to have sufficient and appropriate assets to cover their technical provisions. The actuary also carries out regular reviews of the funding levels. In particular, he carries out a review of the funding level each year between triennial valuations and details of his estimate of the funding level at 31 March 2014 are also included in this note.

The triennial valuation was carried out using the projected unit method. The assumptions which have the most significant effect on the result of the valuation are those relating to the rate of return on investments (i.e. the valuation rate of interest), the rates of increase in salary and pensions and the assumed rates of mortality. The financial assumptions were derived from market yields prevailing at the valuation date.

To calculate the technical provisions, it was assumed that the valuation rate of interest would be 6.1% per annum, salary increases would be 4.4% per annum (with short term general pay growth at 3.65% per annum and an additional allowance for increases in salaries due to age and promotion reflecting historic scheme experience, with a further cautionary reserve on top for past service liabilities) and pensions would increase by 3.4% per annum for three years following the valuation then 2.6% per annum thereafter.

31. Pension schemes continued

Universities Superannuation Scheme

Standard mortality tables were used as follows:

Male members' mortality	S1NA ["light"] YoB tables – No age rating
Female members' mortality	S1NA ["light"] YoB tables – Rated down 1 year

Use of these mortality tables reasonably reflects the actual USS experience but also provides an element of conservatism to allow for further improvements in mortality rates. The CMI 2009 projections with a 1.25% per annum long term rate were also adopted. The assumed life expectations on retirement at age 65 are:

Males (females) currently aged 65	23.7 (25.6) years
Males (females) currently aged 45	25.5 (27.6) years

At the valuation date, the value of the assets of the scheme was £32,433.5 million and the value of the scheme's technical provisions was £35,343.7 million indicating a shortfall of £2,910.2 million. The assets therefore were sufficient to cover 92% of the benefits which had accrued to members after allowing for expected future increases in earnings.

The actuary also valued the scheme on a number of other bases as at the valuation date. On the scheme's historic gilts basis using a valuation rate of interest in respect of part service liabilities of 4.4% per annum (the expected return on gilts) the funding level was approximately 68%. Under the Pension Protection Fund regulations introduced by the Pensions Act 2004 the Scheme was 93% funded; on a buy-out basis (i.e. assuming the scheme had discontinued on the valuation date) the assets would have been approximately 57% of the amount necessary to secure all the USS benefits with an insurance company; and using the FRS17 formula as if USS was a single employer scheme, using a AA bond discount rate of 5.5% per annum based on spot yields, the actuary estimated that the funding level at 31 March 2011 was 82%.

As part of this valuation, the trustee has determined after consultation with the employers, a recovery plan to pay off the shortfall by 31 March 2021. In 2011 the actuary estimated that if experience up to that date remained in line with the assumptions made, the shortfall at 31 March 2014 would be £2.2 billion, equivalent to a funding level of 95%.

31. Pension schemes continued

However, changes in market conditions between March 2011 and March 2014 have had an impact on scheme funding. The next formal triennial actuarial valuation will take place as at 31 March 2014, and work is currently underway to update the actuarial assumptions and allow for any adjustments to the overall funding approach adopted by the trustee board in consultation with stakeholders.

As work on the 2014 valuation is not yet complete the trustee cannot provide the final figure, however, an estimate has been provided using the assumptions used to deliver the 2011 actuarial valuation. On that basis, the actuary has estimated that the funding level under the scheme specific funding regime will have fallen from 92% at 31 March 2011 to 85% at 31 March 2014. This estimate is based on the results from the valuation at 31 March 2011 allowing primarily for investment returns and changes to market conditions.

The funding level has decreased mainly due to a decrease in real gilt yields, reducing the implied net discount rate and therefore placing a higher value on the scheme liabilities. This increase has been partially offset by a higher than expected investment return.

On the FRS17 basis, using an AA bond discount rate of 4.5% per annum based on spot yields, the actuary calculated that the funding level at 31 March 2014 was 75%. An estimate of the funding level measured on a historic gilts basis at that date was approximately 61%.

Surpluses or deficits which arise at future valuations may impact on the institution's future contribution commitment. A deficit may require additional funding in the form of higher contribution requirements, where a surplus could, perhaps, be used to similarly reduce contribution requirements. The sensitivities regarding the principal assumptions used to measure the scheme liabilities on a technical provisions basis as at the date of the last triennial actuarial valuation are set out below:

Assumption	Change in assumption	Impact on shortfall
Investment return	Decrease by 0.25%	Increase by £1.6 billion
The gap between RPI and CPI	Decrease by 0.25%	Increase by £1 billion
Rate of salary growth	Increase by 0.25%	Increase by £0.6 billion
Members live longer than assumed	1 year longer	Increase by £0.8 billion
Equity markets in isolation	Fall by 25%	Increase by £4.6 billion

31. Pension schemes continued

The technical provisions relate essentially to the past service liabilities and funding levels, but it is also necessary to assess the ongoing cost of newly accruing benefits. The cost of future accrual was calculated using the same assumptions as those used to calculate the technical provisions but the allowance for promotional salary increases was not as high. Analysis has shown very variable levels of growth over and above general pay increases in recent years, and the salary growth assumption built into the cost of future accrual is based on more stable, historic, salary experience. However, when calculating the past service liabilities of the scheme, a cautionary reserve was included, in addition, on account of the variability mentioned above.

As at the 2011 valuation the Scheme was still a fully Final Salary Scheme for future accruals and the prevailing employer contribution rate was 16% of salaries.

Following UK government legislation, from 2011 statutory pension increases or revaluations are based on the Consumer Prices Index measure of price inflation. Historically these increases had been based on the Retail Prices Index measure of price inflation.

Since the valuation effective date of 31 March 2011 there have been a number of changes to the benefits provided by the scheme although these became effective from October 2011. These include:

- **New entrants**
Other than in specific, limited circumstances, new entrants are now provided benefits on a Career Revalued Benefits (CRB) basis rather than a Final Salary (FS) basis.
- **Normal pension age**
The normal pension age was increased for future service and new entrants, to age 65.
- **Flexible retirement**
Flexible retirement options were introduced.
- **Member contributions increased**
Contributions were uplifted to 7.5% p.a. and 6.5% p.a. for FS Section members and CRB Section members respectively.
- **Cost sharing**
If the total contribution level exceeds 23.5% of Salaries per annum, the employers will pay 65% of the excess over 23.5% and members would pay the remaining 35% to the fund as additional contributions.
- **Pension increase cap**
For service derived after 30 September 2011, USS will match increases in official pensions for the first 5%. If official pensions increase by more than 5% then USS will pay half of the difference up to a maximum increase of 10%.

31. Pension schemes continued

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

The trustee’s role is to set risk and return parameters which reflect the strength of the sponsoring employers and the nature of the scheme’s liabilities. These parameters, taken altogether with the anticipated returns, form the basis of the trustee’s funding strategy. These parameters are informed by advice from its internal investment team, its investment consultant and the scheme actuary, as well as an independent assessment of the support available from the sponsoring employers. The trustee remains confident that it can continue to take a long-term view of scheme funding, backed as it is by a robust Higher Education (HE) sector.

The fund is invested in a wide range of asset classes, both publicly traded (including equities and fixed income) and private (including private equity, infrastructure, property and timberland). A diversified portfolio helps to spread investment risk across different asset classes and to boost the level of confidence in maintaining sufficient investment returns from the fund as a whole. This investment approach is innovative and responsible, and targeted at achieving returns required to meet the scheme’s liabilities. Recently, the trustee has invested directly in infrastructure assets. These investments are typically illiquid, but can achieve attractive inflation-linked returns in ways often not available in the publicly traded markets which can match the scheme’s liabilities to a high degree.

At 31 March 2014, USS had over 162,000 active members and the institution had 2,515 active members participating in the scheme.

The contribution rate payable by the institution is 16% (2013 16%) of pensionable salaries.

31. Pension schemes continued

Strathclyde Pension Fund

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

SPF is an externally funded, multi-employer, defined benefits scheme which is contracted out of the State Second Pension (S2P) Scheme. The last full valuation was carried out at 31 March 2011 by a qualified independent actuary. The FRS17 results below are based on rolling forward the previous valuation results to 31 July 2014.

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

	2014	2013
Rate of increase of salaries (see note a)	4.8%*	5.1%**
Rate of increase in pensions in payment (see note b)	2.5%	2.8%
Discount rate	3.9%	4.6%
Expected return on assets	6.0%	5.8%

(a) * The salary increase assumption is 2.0% for the year to July 2015, 1.6% for the year to July 2016, 1.9% for the two years to July 2018 and 4.8% thereafter.

** The salary increase assumption is 1.0% for the year to July 2014, 1.9% for the year to July 2015, 1.8% for the year to July 2016 and 5.1% thereafter.

(b) The rate of increase in pensions at 31 July 2014 is based on CPI.

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

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

	At 31 July 2014	At 31 July 2013
Current Pensioners		
Males	21.0 years	21.0 years
Females	23.4 years	23.4 years
Future Pensioners		
Males	23.3 years	23.3 years
Females	25.3 years	25.3 years

31. Pension schemes continued

The fair value of the University's share of the assets and liabilities in the scheme were measured in accordance with the requirements of FRS17 and the expected rates of return were as follows:

	31 July 2014		31 July 2013		31 July 2012	
	Long-term rate of return	Value £000	Long-term rate of return	Value £000	Long-term rate of return	Value £000
Equities	6.6%	119,413	6.4%	114,280	5.5%	93,487
Bonds	3.5%	18,855	3.8%	21,052	3.3%	16,648
Property	4.7%	10,999	4.6%	10,526	3.7%	10,245
Cash	3.6%	7,856	3.4%	4,511	2.8%	7,684
Total market value of assets		157,123		150,369		128,064
Present value of scheme liabilities						
-Funded		(179,340)		(163,961)		(161,004)
-Unfunded		(2,696)		(2,731)		(2,679)
Deficit in the scheme		(24,913)		(16,323)		(35,619)

Movements in fair value of plan assets

	2014 £000	2013 £000
At 1 August	150,369	128,064
Expected return on plan assets	8,675	6,215
Actuarial gains	753	18,560
Contributions by the employer	2,578	2,566
Contributions in respect of unfunded benefits	182	187
Contributions by members	668	671
Unfunded benefits paid	(182)	(187)
Benefits paid	(5,920)	(5,707)
At 31 July	157,123	150,369

31. Pension schemes continued

Movements in present value of defined benefit obligations	2014	2013
	£000	£000
At 1 August	166,692	163,683
Current service cost	2,761	2,826
Past service cost	48	-
Loss on curtailments	-	317
Interest cost	7,608	6,669
Actuarial losses/(gains)	10,361	(1,580)
Contributions by members	668	671
Estimated unfunded benefits paid	(182)	(187)
Benefits paid	(5,920)	(5,707)
At 31 July	182,036	166,692
Analysis of the amount charged to staff costs within operating deficit		
Current service cost	2,761	2,826
Past service cost	48	-
Loss on curtailments	-	317
Total operating charge	2,809	3,143
Analysis of the amount (charged) to interest payable/credited to other finance income		
Expected return on pension scheme assets	8,675	6,215
Interest cost	(7,608)	(6,669)
Total net finance return/(charge)	1,067	(454)
Analysis of amount recognised in the Statement of Total Recognised Gains and Losses (STRGL):		
Actual return less expected return on scheme assets	753	18,560
Experience (losses)/gains on liabilities	(10,361)	1,580
Total (loss)/gain recognised via STRGL during year	(9,608)	20,140

31. Pension schemes continued

History of experience gains and losses	2014 £000/%	2013 £000/%
Difference between the expected and actual returns on assets	753	18,560
Percentage of scheme assets	0.5%	12.3%
Experience (losses)/gains on scheme liabilities	(10,361)	1,580
Percentage of scheme liabilities	(5.7%)	0.9%
Total amount recognised in STRGL	(9,608)	20,140
Percentage of scheme liabilities	(5.3%)	12.0%

The contribution rate payable by the University was 21.3% (2013 21.3%) of pensionable salary.

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 is 14.9% (2013 14.9%) of members' salaries.

32. Taxation status

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

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

33. Related party transactions

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

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

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

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

34. HE bursaries and other student support funds

	2014 HE Childcare £000	2014 HE Discretionary £000	2014 Total £000	2013 Total £000
Balance brought forward	333	81	414	445
Allocation received in the year	456	886	1,342	1,377
Expenditure	(204)	(1,121)	(1,325)	(963)
Repaid as clawback	(333)	(81)	(414)	(445)
Virements	(240)	240	-	-
Balance carried forward	12	5	17	414
Repayable as clawback	12	5	17	414

These 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 2013/14

Convener of Court

Mr R J A Hunter

Ex Officio

Principal and Vice-Chancellor
Professor Sir J McDonald

Vice-Principal Professor K Miller (until 30/09/14)

Glasgow City Council

Councillor S Curran

Senate

Professor J Fraser (until 31/07/14)

Dr V O'Halloran

Professor N Nic Daeid (until 31/07/14)

Professor J Thomson

Professor L Woolfson

Graduates Association

Dr R Harley

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

Mr K Adjei (until 31/07/14)

Ms R Salih (until 31/07/14)

Co-opted by Court (Lay Members)

Mr J Beeton

Dr A Bethel

Mr R Cleland (Vice-Convener of Court)

Mr R Crawford

Mr D Gray

Ms G Hastings

Convener, Mr R J A Hunter

Ms M McGarry

Dr J Morgan

Dr J S Perry (Treasurer)

Ms M Venman

Non-Teaching Staff

Mr N Sturrock

Membership of Principal Committees of Court

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

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

Convener of Staff Committee, Member of Executive Team, Court Membership Group and Court Business Group

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

Member of Estates Committee

Member of Audit Committee

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

Member of Court Business Group

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

Convener of Audit Committee and Member of Court Membership Group

See above

Member of Audit Committee

Member of Audit Committee

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

Member of Staff Committee

The following individuals were not members of Court during the financial year to 31 July 2014 but were members of Court on the day the Financial Statements were approved:

Dr J Delafield-Butt, Dr A Goldsmith, Professor S MacGregor, Ms M MacVicar, Mr G Paterson, Dr D Willison

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

University of Strathclyde Glasgow G1 1XQ
www.strath.ac.uk

The University of Strathclyde is a charitable body, registered
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