

# Annual Financial Statements

Year ended 31 July 2012

**GCU**  
Glasgow Caledonian  
University

Working  
with  
business

Howden Academy

**GCU**  
Glasgow Caledonian  
University





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Principal and Vice-Chancellor

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## University's Professional Advisors

### Bankers

**Bank of Scotland plc**  
167-201 Argyle Street  
Glasgow  
G2 8BU

**Royal Bank of Scotland plc (2011/12)**  
23 Sauchiehall Street  
Glasgow  
G2 3AD

### External Auditor

**KPMG LLP**  
Chartered Accountants and Registered Auditor  
191 West George Street  
Glasgow  
G2 2LJ

### Internal Auditor

**PricewaterhouseCoopers LLP**  
Chartered Accountants  
141 Bothwell Street  
Glasgow  
G2 7EQ

### Solicitors

**Brodies LLP**  
15 Atholl Crescent  
Edinburgh  
EH3 8HA



# Introduction from Professor Pamela Gillies, Principal and Vice-Chancellor

These annual financial statements cover a successful year for the University, despite the challenging higher education environment. The University has emerged from a period of significant reform with new learning, teaching and infrastructure services arrangements and we remain a financially robust institution.

Sound management and governance procedures are paramount as we continue to grow our University. Our financial model is generating a surplus for investment in strategies for growth and securing a sound and sustainable future for the University. Any surplus generated by GCU is always reinvested into either our infrastructure or the learning experience and environment for our students.

Our sound financial footing is enabling us to embark on a £25m Campus Futures project, a programme of investment to enhance our infrastructure and facilities by 2016. Earlier this year, work started on a combined heating and power plant, which is being constructed at a cost of £4.9m. It will be operational by Spring 2013 and will boost the University's already strong green credentials. The University holds Scotland's first silver EcoCampus award and is aiming to upgrade this to gold by next summer. We are committed to ensuring that sustainability is a priority in all of our investment and campus activities.

As part of this work we will continue to invest in campus information technology as we aim continually to

improve the experience for all our students. A modern forward-thinking University, GCU has always been eager to embrace new technological developments and this will continue to be reflected in our future growth. Creating an enhanced learning environment is a priority and we will continue to attract foreign students to our Glasgow and London campuses and ensure a culturally diverse student body.

The results of our investment in opportunities for our students can be seen in the continuing success of our scholarship and award schemes. The Principal's Common Good Scholarship gives up to £21,000 towards degree fees for selected Rest of UK students. The award is based on applications by talented students from low income backgrounds who are the first in their families to go to University. The University also established one more Magnusson Award this year. The Professor Mike Smith/Magnusson Award will help Jennifer Martin, a fourth year student, to buy new equipment, better quality materials, and convey a professional image for her fashion label, Jenivieve Berlin Millinery. It will also allow her to enrol on a millinery course at Central St Martin's College in London. Now in their fifth year, the Magnusson Awards continue to support some of GCU's brightest students as they exploit their ideas and talents to the fullest.

GCU London, our specialist postgraduate campus based in the vibrant Spitalfields area of London, is thriving, with continuing support from business partners including AllSaints, M&S, House of Fraser and Santander, and a significant increase in application numbers.

Developing new international partnerships continues to be a fundamental part of the University's

strategy for growth. We have established new relationships in Brazil with the Federal University of Rio de Janeiro (UFRJ), in the US with Stony Brook University, New York, and in China with the Zhejiang University of Media and Communications. This builds upon our existing collaborations with the University of Massachusetts and East China University of Science & Technology. Our partner in Oman, the Caledonian College of Engineering, was awarded the Asia Award for the Best Educational Institution in Engineering by the World Education Congress.

GCU has also further raised its profile in China by embarking on an initiative with the Guanghua Nurse Fund (GNF) of China Guanghua Science & Technology Foundation to enhance the education and training of nurses there, and the University will welcome a pilot group of 20 nurses in 2013 to undertake studies leading to a Bachelor's degree.

Growing our global footprint through partnership agreements remains of critical importance so that the University can continue to deliver a high quality learning environment, progress our research and deliver positive impacts for the communities we serve. We continue to make progress towards our University Strategy 2015 and this reflects the continued commitment of our staff and students.



Professor Pamela Gillies  
BSc PGCE MEd MMedSci PhD FRSA FFPH AcSS Hon FRCPS (Glasg)  
Principal and Vice-Chancellor









# Management and Governance

## Management

In 2011/12, the University was led by the Principal and Vice-Chancellor and the Executive team. The team comprised three Vice-Principals and Pro Vice-Chancellors, three Executive Deans and Pro Vice-Chancellors, the Executive Director of Finance and the University Secretary and Vice-Principal.

Study and Research are grouped into three Schools and are supported by a number of learning, teaching and infrastructure services. Following the restructuring and re-profiling in 2010/11, the three Schools formally operational from 1 August 2011 were:

- School of Engineering and Built Environment
- School of Health and Life Sciences
- Glasgow School for Business and Society

Executive members contribute to strategic policy and decision making relating to all areas within their School or learning, teaching and infrastructure service and the wider University.

## Governance

The constitution of the University Court is set out in the Glasgow Caledonian University Order of Council 2010. The membership consists of appointed, ex officio and elected governors.

The appointed governor membership consists of a minimum of nine and a maximum of eighteen members and is drawn from people who have experience of, and have shown capacity in, industrial, commercial or employment matters, or in the practice of any profession. The appointed governor membership must maintain

an overall majority on the University Court. The Principal and Vice-Chancellor and the President of the Students' Association are Governors ex officio. Three staff governors are elected: one by Senate from among the members of Senate, one by the academic staff from among the members of such staff, and one by the non-academic staff from among the members of such staff. The University Court currently comprises 14 appointed governors: two governors ex-officio and three staff governors.

The University Court must hold at least four ordinary meetings a year but in practice meets more frequently and has drawn up a scheme of standing orders to regulate the conduct of its meetings.

Under the terms of the Statutory Instrument (SI), there are certain functions, duties and responsibilities which Court must reserve to itself. However, the SI makes provision for Court to delegate any of its functions, other than those reserved to itself, to standing committees of Court. The composition of these committees, as determined by Court, comprises appointed governors, staff governors and governors ex officio together with any additional members who are not appointed governors whom Court considers to be specially fitted to assist the work of the committee.

In addition, the University Court has delegated to Senate a number of its functions specifically relating to the overall planning, co-ordination, development and supervision of the academic work of the University and supervision of research and commercialisation work as well as other functions as shall be assigned to Senate by the University Court.

# Risk and Future Developments

## Risk

The University maintains a comprehensive institutional risk register with risk analysis embedded in its Schools and learning, teaching and infrastructure services.

The key risks identified are:

- Ability to manage the consequences of the challenging national financial and policy environment whilst protecting quality provision and uncertainties arising from short-term NHS manpower planning in particular;
- Changes in the international student market arising from UK government policies and higher levels of regulatory controls;
- Continuing Eurozone debt crisis and restraint on rises in the overall European Union budget resulting in reductions in EU research funding available; and finally
- Potential for disruption to industrial relations following national pay and pension negotiations.

In 2011/12 the Court developed a Statement of Risk Appetite with inputs from the Executive and Audit Committee. The Statement looks to balance the risks accepted in taking ambitious, imaginative and enterprising actions to secure the University's strategic direction and financial sustainability with the overarching need to maintain the University's high reputation.

Developments in 2012/13 to further embed Risk Appetite will be the setting of risk tolerances for each statement and the agreement of financial parameters where appropriate.

## Future Developments

As well as securing core activity, a major programme of primarily capital investment is being undertaken, designed to transform the performance of the University in key areas and provide the stimulus for growth and enhanced quality of provision necessary for delivering the Strategy 2015.

### Strategy 2015

The document lists the strategic goals as follows:

- Globally networked
- Excellence in education
- Excellence in research
- Delivering for business, the public and voluntary sectors
- Valuing our people
- Committed to the common good
- Sustainability

The University is value-oriented and goal-directed and the University's Strategy 2015 document lays out how we will achieve the goals and the key performance indicators that will be used to measure and guide our endeavours.







Staff Area

Toilets







# Disability Policy, Equality and Diversity

## **Disability Policy**

The University gives equal consideration to all applications for employment regardless of disability. Where a candidate with a disability is the best person for the job and is appointed, full consideration is given to what reasonable adjustments are necessary to ensure that the person is not placed at a substantial disadvantage, and is supported so that the requirements of the job can be fulfilled.

Where existing employees become disabled it is the University's policy, wherever practicable, to support employees in continuing employment by making reasonable adjustments where necessary. Members of staff who have a disability are employed under the same terms and conditions as their non-disabled colleagues and the University provides training, career development and promotion opportunities to all staff, regardless of their disability.

## **Equality and Diversity**

Equality and diversity have been embedded across all University functions through a number of projects and activities, which aim to ensure that staff and students have knowledge of their rights and responsibilities, and are aware of the importance of eliminating discrimination, promoting equality of opportunity, and fostering good relations in their day to day activities and interactions.

The Equality and Diversity Strategy sets out GCU's commitment to promoting equality and valuing diversity, ensures that the University is compliant with the Equality Act 2010, and establishes clear lines of responsibility and accountability, creating an environment which supports dignity at work and study.

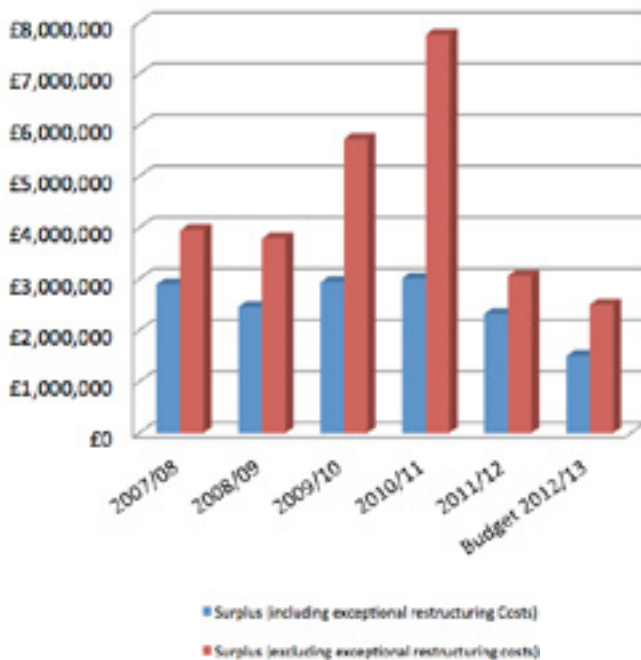
Britannia  
Building

# Financial Summary

Financial Highlights		
	2012 £000	2011 £000
Income	106,219	112,052
Expenditure before exceptional items	<u>(103,158)</u>	<u>(104,380)</u>
Surplus before exceptional items	3,061	7,672
Exceptional items	(739)	(4,745)
Other items	<u>(286)</u>	<u>91</u>
Surplus for the year retained within general reserves	<u><u>2,036</u></u>	<u><u>3,018</u></u>
Cash at bank, deposits and endowments	<u><u>31,167</u></u>	<u><u>27,318</u></u>
Net assets	<u><u>147,289</u></u>	<u><u>152,892</u></u>

## Surplus

The operating results continued the positive trend of delivering a surplus, albeit reduced in 2011/12 following the constraints in funding faced in the year.



## Income and Expenditure

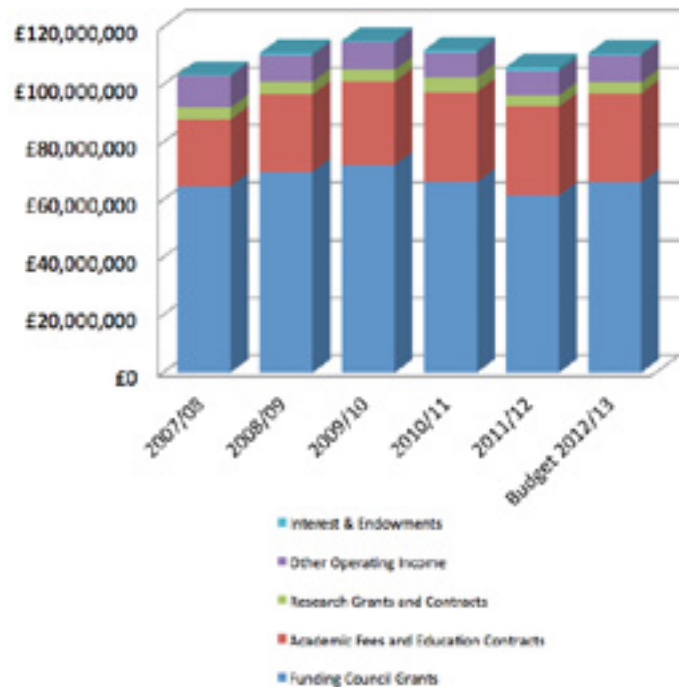
### Income

The University's income reduced by 5% from £112m to £106m primarily due to the decrease in the recurrent grant for teaching, research awards and overseas tuitions fees received in 2011/12.

A reduction in overseas tuition fees was projected following UKBA national policy changes which have reduced full time equivalent international student numbers from 1,720 to 1,520. Overall student numbers have marginally declined moving from full time equivalent of 13,900 to 13,700.

The joint venture with INTO continues to make substantial overall contribution to international student income.

Looking to 2012/13 funding is forecast to increase by 7% across all grants and fees.



### Expenditure

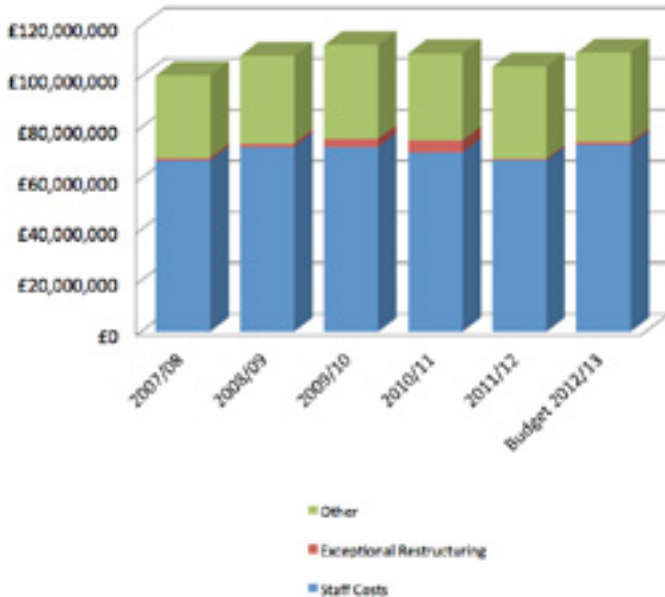
Total expenditure reduced by 1% in the year with the main movements as follows:

- Following the University restructure in 2010/11 and controls in manpower, staff costs including voluntary severance costs, fell by 10%.
- Other operating expenses have increased by 7% reflecting the strategic investment in IT infrastructure and Smart Campus initiatives in supporting long term sustainability and the University's strategic goals.

Looking to 2012/13, strategic investment in infrastructure, staff costs and other operating expenses will continue across the University to deliver the University's Strategy to 2015.



**Expenditure (continued)**



As outlined in Capital Investments below, the University has embarked on two capital projects in 2011/12; a Combined Heat and Power plant and the development of the Heart of Campus. Capital investment associated with these projects, together with the strategic investment in staff and operating costs, will reduce cash at bank and deposits in 2012/13 with further reductions in future years.

**Treasury Management**

The University actively manages its cash resources, funding requirements and the control of associated risks according to the Treasury Management Policy that is approved by the Finance and General Purposes Committee. The Treasury Management Policy and decisions made in relation the policy take into account:

- The University mission statement,
- The University’s strategy,
- The University’s budget,
- The capital expenditure programme,
- Cash flow forecasts, and
- Working capital requirements.

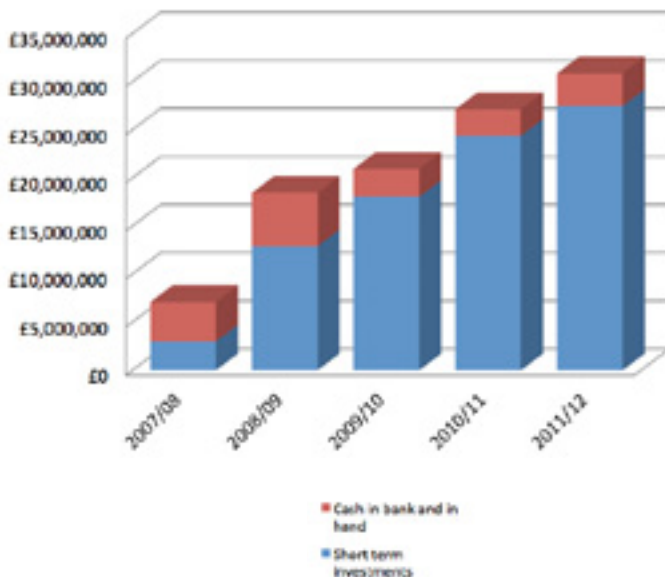
Funds are placed with approved counterparties up to a maximum limit and for a maximum period of 12 months. Credit ratings are reviewed on a regular basis and reported to the Finance and General Purposes Committee.

The University signed a loan agreement for £10m with Lloyds Banking Group plc backed by the European Investment Bank to assist in the financing of the Heart of Campus project with the balance being funded through internal funds. During the year to 31 July 2012 there has been no drawdown on this facility, with the projected drawdown being in 2014/15.

**Cash at bank and deposits**

Cash at bank increased in the year by £4m to a closing balance of £31m at 31 July 2012. £5m of cash was generated from operations. Further details on cash flow movements are in notes 19 to 23 of the financial statements.

The five year history of cash at bank and deposits is as follows:



**Capital Investments**

Aligned to the University’s Masterplan, in 2010/11 the University Court approved the construction of a Combined Heat and Power plant with a total cost of £4.9m. The plant will be operational in 2012/13. Spend of £870k has been incurred during the year to 31 July 2012.

In November 2011, the University Court approved the University’s £25m investment plan to create a Heart of Campus. The project will create an attractive, modern hub which will lead to improved academic teaching areas, student services and facilities allowing the University to maintain its reputation for delivering high quality in these areas. Initial works commenced in 2011/12.

**Payment of Creditors**

It is the University’s policy to obtain the best terms of business from creditors, and thus, there is no single policy as to the terms used. In agreements negotiated with suppliers, the University endeavours to include and abide by specific payment terms. As at 31 July 2012 the University’s outstanding payments represented approximately 57 days purchases. The amount of interest paid in the year under the Late Payment of Commercial Debts (Interest) Act 1998 was nil.

# Responsibilities of the University Court

## Responsibilities of the University Court

In accordance with the Glasgow Caledonian University Order of Council 2010, the Court of Glasgow Caledonian University is responsible for the administration and management of the affairs of the University and is required to present audited financial statements for each financial year.

The Court is responsible for ensuring that proper accounting records are maintained which disclose with reasonable accuracy at any time the financial position of the University and to enable it to ensure that the financial statements are prepared in accordance with the Glasgow Caledonian University Order of Council 2010, the Charities and Trustee Investment (Scotland) Act 2005, the Charities Accounts (Scotland) Regulations 2006 (as amended), the Statement of Recommended Practice: Accounting for Further and Higher Education Institutions and other relevant accounting standards. In addition, within the terms and conditions of a Financial Memorandum agreed between the Scottish Funding Council and the Court of Glasgow Caledonian University, the University Court, through its designated office holder, is required to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the University and of the surplus or deficit and cash flows for that year.

In causing the financial statements to be prepared, the Court has to ensure that:

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

The Court has a responsibility 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 Further and Higher Education (Scotland) Act 1992, the University's 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;
- Ensure reasonable steps have been taken to secure the economical, efficient and effective management of the University's resources and expenditure; and
- Ensure sound corporate governance and the proper conduct of the University's operations.

### University Court Members

Mr Antony Brian Chair  
Professor Pamela Gillies  
Principal and Vice-Chancellor  
Mr Matthew Andrews (to 17.06.12)  
President of the Students' Association  
Mrs Hazel Brooke Vice-Chair  
Mr John Chapman  
Mrs Mary Craig (from 01.01.12)  
Mrs Tracy Findlay  
Ms Carla Fyfe (from 18.06.12)  
President of the Students' Association  
Ms Laura Gordon  
Mr Ian Gracie (from 01.08.12)  
Mr Tom Halpin  
Mr J Gordon Jack (from 16.02.12)  
Mr Stephen McCafferty (to 05.02.12)  
Mr Malcolm McCaig (to 31.12.11)  
Professor Elaine McFarland (to 31.07.12)  
Mr John McNaught (to 03.04.12)  
Dr Rajan Madhok  
Dr James A Miller  
Mr Hugh O'Neill  
Mr Graham Scott  
Mr Iain Stewart (from 01.08.12)  
Ms Catherine Truel (to 29.02.12)

Mr David Wallace  
Mr Alistair Webster (from 16.02.12)  
Professor Stephanie Young (from 01.08.12)

### Members of Finance and General Purposes Committee

Mr Matthew Andrews (to 17.06.12)  
Mr David Beeby  
Mr Antony Brian (to 07.02.12)  
Mr John Chapman  
Mrs Mary Craig (from 01.01.12)  
Ms Carla Fyfe (from 18.06.12)  
Professor Pamela Gillies  
Mr Ian Gracie (from 01.08.12)  
Mr J Gordon Jack (from 16.02.12)  
Mr John McNaught (to 03.04.12)  
Mr Hugh O'Neill  
Ms Catherine Truel (to 29.02.12)  
Mr David Wallace Chair

### Members of Audit Committee

Ms Laura Gordon  
Mr Tom Halpin  
Mr Malcolm McCaig (to 31.12.11)  
Chair (to 30.09.11)  
Professor Elaine McFarland (to 31.07.12)  
Dr James A Miller Chair (from 1.10.11)  
Mr Iain Stewart (from 01.08.12)  
Mr Alistair Webster (from 16.02.12)

### Members of Remuneration Committee

Mr Antony Brian  
Mrs Hazel Brooke  
Professor Pamela Gillies  
Dr Rajan Madhok Chair  
Professor Stephanie Young (from 01.08.12)

### Members of Court Membership Committee

Mr Antony Brian Chair  
Mrs Hazel Brooke (from 5.12.11)  
Professor Pamela Gillies  
Professor Elaine McFarland (to 31.07.12)  
Dr Rajan Madhok  
Dr James A Miller  
Mr Iain Stewart (from 01.08.12)



**Members of Health and Safety Committee**

Mr Matthew Andrews (to 17.06.12)  
 Mr John Chapman  
 Mrs Tracy Findlay  
 Ms Carla Fyfe (from 18.06.12)  
 Mr Jim Gibson (to 31.12.11)  
 Mr Alex Killick (from 01.01.12)  
 Mr Stephen McCafferty (to 05.02.12)  
 Mr John McNaught (to 03.04.12)  
 Mr Hugh O'Neill Chair

**Members of Staff Policy Committee**

Mrs Hazel Brooke Chair (from 1.10.11)  
 Mrs Tracy Findlay  
 Mr Jim Gibson (to 31.12.11)  
 Professor Pamela Gillies  
 Mr Alex Killick (from 01.01.12)  
 Mr Stephen McCafferty (to 05.02.12)  
 Dr James A Miller Chair (to 30.09.11)  
 Mr Graham Scott  
 Professor Stephanie Young (from 01.08.12)

Attendance from 1 August 2011 to 31 July 2012								
Member	Date from/to	University Court 6 in year	Finance and General Purposes 6 in year	Audit 4 in year	Remuneration 3 in year	Court Membership 3 in year	Health and Safety 2 in year	Staff Policy 5 in year
Mr Antony Brian		6	4		3	3		
Professor Pamela Gillies Principal and Vice-Chancellor		6	5		3	2		2
Mr Matthew Andrews	To 17.06.12	4	4				1	
Mr David Beeby			4					
Mrs Hazel Brooke		6			3	3		5
Mr John Chapman		5	5				2	
Mrs Mary Craig	From 01.01.12	1	1					
Mrs Tracy Findlay		6					1	3
Ms Carla Fyfe	From 18.06.12	1	1				-	
Mr Jim Gibson	To 31.12.11						-	1
Ms Laura Gordon		4		2				
Mr Tom Halpin		5		4				
Mr J Gordon Jack	From 16.02.12	2	2					
Mr Alex Killick	From 01.01.12						2	3
Mr Stephen McCafferty	To 05.02.12	3					1	2
Mr Malcolm McCaig	To 31.12.11	2		1				
Professor Elaine McFarland	To 31.07.12	6		4		3		
Mr John McNaught	To 03.04.12	3	2				1	
Dr Rajan Madhok		5			3	2	0	
Dr James A Miller		6		4		2		4
Mr Hugh O'Neill		3	5				2	
Mr Graham Scott		5						4
Ms Catherine Truel	To 29.02.12	1						
Mr David Wallace		3	6					
Mr Alistair Webster	From 16.02.12	1		2				

In some cases professional commitments have prevented members attending all their Court or Committee meetings. In such circumstances appropriate communication and contribution has been provided to the Chair outwith the meeting.

Pro Vice-Chancellors are in attendance at Court. The University Secretary and Vice-Principal (Governance) is in attendance at Court and all Committee meetings.

# Corporate Governance Statement

## Introduction

The University is committed to best practice in all aspects of corporate governance. This summary describes the manner in which the University has applied the principles set out in the UK Corporate Governance Code issued by the Financial Reporting Council in June 2010 and has taken due regard to the Scottish Funding Council Accounts Direction requirements and to the Turnbull Committee Guidance on Internal Control. Its purpose is to help the reader of the financial statements understand how these principles have been applied.

## Statement of full combined compliance

In the opinion of the Court, the University complies with the provisions of the UK Corporate Governance Code in so far as they apply to the higher education sector, and it has complied throughout the year ended 31 July 2012.

## University Court

In 2011/12 the University Court met six times and has six standing committees which support it. Each committee has formally constituted terms of reference. These committees are a Finance & General Purposes Committee, an Audit Committee, a Remuneration Committee, a Court Membership Committee, a Health and Safety Committee and a Staff Policy Committee. In addition, the Court had an Away Day to consider the operating environment and future strategic direction. The Court undertakes an annual review of the effectiveness of each of its committees and their success in meeting objectives which are set annually.

The Finance and General Purposes Committee met six times in 2011/12. It recommends to Court the University's annual revenue and capital budgets and monitors performance in relation to the approved budgets. The committee also reviews major investment decisions prior to final approval by Court.

The Audit Committee met four times in 2011/12 with the University's external and internal auditors in attendance. The Audit Committee advises the

University on the appointment of the internal and external auditors and the auditors' remuneration, and assesses the effectiveness of the internal auditors. The Committee may meet privately with both the internal and external auditors if it wishes.

The University's internal auditors monitor the systems of internal control, risk management controls and governance processes in accordance with a risk based three-year strategic plan and a specific annual agreed plan of input, and report their findings to management and the Audit Committee. Management is responsible for the implementation of agreed audit recommendations and the internal auditors undertake periodic follow-up reviews to ensure that such recommendations have been implemented. The Audit Committee considers detailed reports together with recommendations for the improvement of the University's systems of internal control and management's responses and implementation plans. It also receives and considers reports from the Scottish Funding Council as they affect the University's business and monitors adherence to the regulatory requirements.

Senior executives, including the Principal and Vice-Chancellor, the Executive Director of Finance and the University Secretary and Vice-Principal (Governance), attend meetings of the Audit Committee as necessary but they are not members of the committee.

The Remuneration Committee met three times in 2011/12 and determines the remuneration of members of the Executive, including the Principal and Vice-Chancellor. Information on the remuneration of senior post holders for the year ended 31 July 2012 is set out in note 6 to the financial statements.

The Remuneration Committee's work is governed by a clear remuneration philosophy designed to attract, retain and incentivise key senior staff with critical responsibility for the delivery of the

University's objectives. It also seeks to strengthen the link between remuneration and performance by means of performance related pay where appropriate. The philosophy is underpinned by the following principles:

- Transparent communication
- Non-discriminatory practices
- Internal equity
- External parity
- Performance-driven remuneration
- Affordability

The philosophy is shaped by internal and external considerations, including the size and scale of the organisation, its performance and the need to competitively position the University. The Committee draws on comparative data and considers wider political and economic factors as appropriate. The Remuneration Committee reviews the remuneration philosophy annually to ensure it remains fit for purpose.

The Court Membership Committee's terms of reference require it to keep Court's membership under review and meet to consider nominations for vacancies in the Court membership. Court has a robust process for appointing governors which is based on the principles of transparency and flexibility. The process encompasses a wide range of methods to allow the Court Membership Committee the flexibility to employ whichever recruitment methods are most appropriate to the circumstances. Vacancies on the University Court are advertised on the Public Appointments website. The Committee met formally in 2011/12 on three occasions. The University has a responsibility to ensure that appropriate training is given to Court members as required.

The Health and Safety Committee met twice in 2011/12. The terms of reference of the Health and Safety Committee are to formulate safety and environmental policies in order to ensure that the University meets all legislative requirements and best practice standards, and promote and monitor



effective implementation of those policies. The Staff Policy Committee met five times in 2011/12. The main purpose of the Staff Policy Committee is to oversee the development of a People Strategy to support the University's strategic plan, to recommend the strategy to Court, to report to Court on progress in implementing the strategy and to ensure that policies, procedures and practices relating to staffing matters comply with all relevant employment legislation.

#### **Corporate Strategy**

The University has a comprehensive strategic planning process in place which delivers both short and medium term strategic objectives, SMART targets and key performance indicators. Court members are fully involved in the deliberations on strategic development and the Court, as a whole, receives the final Strategic Plan, including the financial estimates from the University Executive Board, for approval.

The University Court agreed the revised University's 2015 Strategic Mission, Objectives and Key Performance Indicators in 2011. The University also has a comprehensive Estates Strategy 2011-2015.

#### **Statement on risk management and internal control**

The University Court is ultimately responsible for the University's system of internal control and, as the chief executive officer, the Principal and Vice-Chancellor is responsible for its effectiveness. Such a system is designed to mitigate rather than eliminate the risk of failure to achieve business objectives and can only provide reasonable and not absolute assurance against material mis-statement or loss.

There is a robust Court committee and Executive group structure which operates effectively via remits, standing orders, reserved powers, minutes and action plans. The University Executive Board receives monthly comprehensive reports on budgetary matters with outturns monitored against targets. In addition,

quarterly financial reports are presented to the Finance and General Purposes Committee and to Court.

There is a full scheme of delegated authority covering all university staff plus comprehensive financial procedures and an expenses manual. The University Executive Board and the relevant Court sub-committees receive reports on health and safety and staff-related issues plus any major strategic developments.

The Court reviewed the effectiveness of its governance framework utilising the Committee of University Chairman Guidelines and relevant parts of the report on accountability and governance published by the Scottish Government.

Formal project management arrangements are in place during the lifecycle of all major projects with a dedicated Executive member assigned to lead such projects. The University runs all major IT projects under PRINCE2 methodology.

The University has an established approach to the identification and management of risk. There is a strategic institutional risk register which is reviewed annually by Court, Audit Committee and the University Executive Board and includes impact analysis and mitigating actions. The University has also taken steps to consider and define its risk appetite by producing a Statement of Risk Appetite and this Statement is being developed further in 2012/13.

The process of further embedding formal risk management and risk appetite at School and Learning, Teaching and Infrastructure Services level has continued in 2011/12 with the risk registers in place being updated to reflect the new structure. In addition, there is a Business Continuity Plan in place. As new legislation arrives, actions are taken by internal committees to ensure compliance, and committee papers prepared must indicate how the actions proposed address compliance with legislation. All Schools and Learning, Teaching and Infrastructure Services have operating plans which identify risk and weakness.

Accordingly, the Court is of a view that there is an ongoing process for identifying, evaluating and managing the University's significant risks that has been in place throughout the year ended 31 July 2012 and up to the date of approval of the annual financial statements. This process is reviewed by the Court and accords with the Turnbull guidance, as applicable to the higher education sector.

#### **Going concern**

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

#### **Conclusion**

Finally, I would like to thank all members of the University staff and Court for their continued support and hard work during the year.

**MR ANTONY BRIAN**

# Independent Auditor's Report to the University Court of Glasgow Caledonian University

We have audited the Group and University financial statements of Glasgow Caledonian University for the year ended 31 July 2012 which comprise the Consolidated Income and Expenditure Account, the Consolidated and University Balance Sheets, the Consolidated Cash Flow Statement, the Reconciliation of Net Cash Flow to Movement in Net Funds, the Statement of Consolidated Total Recognised Gains and Losses, the Statement of Consolidated Historical Cost Surpluses, the Statement of Principal Accounting Policies and the related notes. 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 Glasgow Caledonian University, as a body, in accordance with paragraph 6 of part 3 of the Glasgow Caledonian University Order of Council 2010 and, in the University Court's role as charity trustees, 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 of Glasgow Caledonian University those matters we are required to state to it 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 Glasgow Caledonian University, as a body, for our audit work, for this report, or for the opinions we have formed.

## Respective responsibilities of the University Court of Glasgow Caledonian University and auditor

As explained more fully in the Responsibilities of the University Court set out on page 14, the University Court of Glasgow Caledonian University is responsible for the preparation of the financial statements which give a true

and fair view. We have been appointed as auditor under section 44 (1)(c) of the Charities and Trustee Investment (Scotland) Act 2005 and report to you in accordance with the 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 (APB's) Ethical Standards for Auditors.

## 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 Group's and University's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the University Court of Glasgow Caledonian University; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Annual Financial Statements 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 Group's and University's affairs as at 31 July 2012 and of the Group's income and expenditure, recognised gains and losses and cash flows for the year then ended;
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice and the Statement of Recommended Practice: accounting for further and

higher education; and

- have been prepared in accordance with the Charities and Trustee Investment (Scotland) Act 2005, and regulation 14 of the Charities Accounts (Scotland) Regulations 2006 (as amended).

## Opinion on other matters prescribed by the terms of our engagement

In our opinion, in all material respects:

- funds from whatever source administered by the institution for specific purposes have been properly applied to those purposes and, if relevant, managed in accordance with relevant legislation, and any other terms and conditions attached to them; and
- funds provided by the Scottish Funding Council have been applied in accordance with the Financial Memorandum.

## Matters on which, under the terms of our engagement, we are required to report by exception

We have nothing to report in respect of the following matters where the Charities Accounts (Scotland) Regulations 2006 (as amended) and the terms of our engagement 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
- adequate and 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.

## S Reid

For and on behalf of KPMG LLP,  
Statutory Auditor

*Chartered Accountants*

*KPMG LLP is eligible to act as an auditor in terms of section 1212 of the Companies Act 2006*

191 West George Street  
Glasgow, G2 2LJ

5 November 2012



# Statement of Principal Accounting Policies

## Basis of preparation

The financial statements have been prepared under the historical cost convention, modified to include land and buildings and investments at valuation, and in accordance with the Charities and Trustee Investment (Scotland) Act 2005, Regulation 14 of the Charities Accounts (Scotland) Regulations 2006 (as amended) and the Statement of Recommended Practice (SORP): Accounting for Further and Higher Education 2007 and in accordance with applicable accounting standards. They conform to guidance published by the Scottish Funding Council.

The financial statements continue to be prepared on a going concern basis as the governing body considers that the University has adequate resources to continue in the operational existence for the foreseeable future.

## Change in accounting policy

There have been no changes in accounting policy during the period.

## Basis of consolidation

The consolidated financial statements bring together the financial statements of the University and its subsidiary undertakings in accordance with the provisions of FRS 2 Accounting for Subsidiary Undertakings and FRS 9 Associates and Joint Ventures. Intra-group transactions are eliminated on consolidation. The University's share of the results in its joint venture has been consolidated in the financial statements using the gross equity method.

The consolidated financial statements do not include the results of Glasgow Caledonian University Students' Association as it is a separately constituted organisation in which the University has no financial interest, control or significant influence over policy decisions.

## Income recognition

Income from the Scottish Funding Council in the form of recurrent grants are accounted for in the period to which they relate and credited direct to the income and expenditure account.

Tuition fees are credited to the income and expenditure account over the period to which they relate and are stated net of discounts. Any fees waived by the University are included as expenditure and not deducted from income.

Income from grants, contracts and other services is accounted for on an accruals basis and included to the extent the expenditure is incurred on each project during the year. Any payments received in advance of such performance are recognised on the balance sheet as liabilities.

Grants received in respect of the acquisition or construction of fixed assets are treated as deferred capital grants. Such grants are credited to deferred capital grants and an annual transfer 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.

All income from short-term deposits is credited to the income and expenditure account on a receivable basis.

Endowment and investment income is credited to the income and expenditure account on a receivable basis. Income from endowments not expended in accordance with the restrictions of the endowment, is transferred from the income and expenditure account to endowments. Any realised gains or losses from dealing with endowment asset investments are retained within endowments in the balance sheet.

## Agency arrangements

Funds the University receives and disburses as a 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 account.

## Foreign currencies

Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. Monetary assets

and liabilities denominated in foreign currencies are retranslated at the rate of exchange at the balance sheet date. The resulting exchange differences are taken to the income and expenditure account in the year.

## Land and buildings

Freehold land and buildings are stated at valuation, less a provision for depreciation. The basis of valuation is depreciated replacement cost. Valuations are carried out by independent Chartered Surveyors. The carrying value of tangible fixed assets are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable.

Land and buildings considered surplus to requirements are shown at the lower of book value and market value.

Land is held freehold and is not depreciated as it is considered to have an indefinite useful life. Buildings are depreciated over their expected remaining useful lives of 40 to 50 years, and in the case of new buildings a useful life of 50 years has been adopted.

Where buildings are acquired with the aid of specific grants they are capitalised and depreciated as above. The related grants are treated as deferred capital grants and released to the income and expenditure account over the expected useful life of the asset concerned.

## Equipment and furniture

Equipment and furniture, including IT hardware and software, costing less than £20,000 per individual item or group of related items, are charged to the income and expenditure account in the year of acquisition. All other equipment and furniture are capitalised.

Capitalised equipment and furniture are stated at cost.

Depreciation is provided over the following periods:

Computer equipment	3 years
General equipment	5 – 8 years
Furniture	5 – 10 years
Fixture & Fittings	5 – 10 years

# Statement of Principal Accounting Policies

Where equipment and furniture are acquired with the aid of specific grants, they are capitalised and depreciated as above. The related grants are treated as deferred capital grants and released to the income and expenditure account over the expected useful life of the assets concerned.

## Repairs and maintenance

The cost of routine corrective maintenance to ensure that a tangible fixed asset maintains its previously recognised standard of performance is charged to the income and expenditure account in the year it is incurred.

## Investments

Listed investments are stated in the balance sheet at market value. Unlisted investments are stated at cost less any provision for impairment of their value.

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.

A diminution in value is charged to the income and expenditure account to the extent that it is not covered by a previous revaluation surplus.

## Endowments and donations

### Unrestricted donations

Charitable donations are recognised in the financial statements when the charitable donation has been received or if before receipt, there is sufficient evidence to provide the necessary certainty that the donation 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:

- Restricted permanent endowment – the donor has specified that the fund is to be permanently invested to generate an income stream to be applied to a particular objective.

- Unrestricted permanent endowment – 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 endowment – the donor has specified a particular objective and the University can convert the endowed capital into income.

## Stocks

Stocks are stated at the lower of cost and net realisable value and exclude books and consumables in academic departments and laboratories. Where necessary, provision is made for obsolete, slow moving and defective stocks.

## Cash flows and liquid resources

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

Liquid resources are short term investment assets held as a readily disposable store of value. They include 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.

## Taxation status

The University is an exempt charity within the meaning of the Trustee Investment and Charities (Scotland) Act 2005 and, as such, is a charity within the meaning of section 506(1) of the Income and Corporation Taxes Act 1988.

The University is recognised as a charity by HM Revenue & Customs and is recorded on the index of charities maintained by the Office of the Scottish Charity Regulator (Charity No. SC021474). Accordingly, the University is potentially exempt from taxation in respect of income or capital gains received within categories covered by section 505 of ICTA 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.

The University's subsidiary companies are not exempt from taxation. The charge for taxation is based on the taxable profit or loss for the year after the cost of any Gift Aid payment payable to the University.

## Accounting for Retirement Benefits

The University participates in a number of pension schemes providing benefits based on final pensionable pay, the Scottish Teachers Superannuation Scheme (STSS), the Strathclyde Pension Fund (SPF) and the Universities Superannuation Scheme (USS). All schemes are available to staff of more than one employer, are contracted out of the State Earnings-Related Pension Scheme, and the assets of the schemes are held separately from those of the University. The Funds are valued by actuaries, the rates of contributions being determined by the trustees on the advice of the actuaries.

### *Strathclyde Pension Fund*

Pension scheme assets are measured using market values. For quoted securities the current bid price is taken as market value. Pension scheme liabilities are measured using a 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 split between the income and expenditure account and, in the statement of total recognised gains and losses, actuarial gains and losses.

### *Scottish Teachers Superannuation Scheme and Universities Superannuation Scheme*

While the University is a member of these defined benefit schemes, it is unable to identify its share of the underlying assets and liabilities of the scheme on a



consistent and reasonable basis and therefore, as required by FRS 17 'Retirement benefits', accounts for the scheme as if it were a defined contribution scheme. As a result, the amount charged to the University's income and expenditure account represents the contributions payable to the scheme in respect of the accounting period.

The University also provides enhanced pensions to former employees who accepted early retirement and provision is made on an actuarial basis for the liability to those former employees at the time of their retirement.

#### **Provisions**

Provisions are recognised when the University has a present legal or constructive obligation as a result of a past event, it is probable that a transfer of economic benefit will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

#### **Leases**

Assets obtained under finance leases are capitalised in the balance sheet and are depreciated over the shorter of the estimated useful life of the asset or the term of the lease. The interest element of the rental obligations is charged to the income and expenditure account evenly over the period of the lease.

Rental costs payable under operating leases are charged as expenditure in equal annual amounts over the period of the leases.

# Financial Statements

## Consolidated Income and Expenditure Account

For the year ended 31 July 2012

	Note	2012 £000	2011 £000
<b>Income</b>			
Funding council grants	1	61,528	66,170
Tuition fees and education contracts	2	30,934	31,348
Research grants and contracts	3	3,858	5,120
Other income	4	9,644	9,981
Endowment and investment income	5	1,471	893
		<u>107,435</u>	<u>113,512</u>
<b>Total income</b>		<b>107,435</b>	<b>113,512</b>
Less: Share of income from joint venture		(1,216)	(1,460)
		<u>106,219</u>	<u>112,052</u>
<b>Expenditure</b>			
Staff costs	6	67,084	70,263
Exceptional restructuring costs	6	739	4,745
Other operating expenses	7	31,986	29,856
Depreciation	8	4,088	4,261
		<u>103,897</u>	<u>109,125</u>
<b>Total expenditure</b>	7	<b>103,897</b>	<b>109,125</b>
<b>Surplus after depreciation of tangible assets at valuation and before taxation</b>		<b>2,322</b>	<b>2,927</b>
Share of operating (loss)/profit in joint venture	9	(171)	50
		<u>2,151</u>	<u>2,977</u>
<b>Surplus on continuing operations after depreciation of tangible assets at valuation and taxation</b>		<b>2,151</b>	<b>2,977</b>
Transfer(to)/from accumulated income within endowment funds	10	(115)	41
		<u>2,036</u>	<u>3,018</u>
<b>Surplus for the year retained within general reserves</b>		<b>2,036</b>	<b>3,018</b>

All items of income and expenditure arise from continuing operations.



## Statement of Consolidated Historical Cost Surpluses

For the Year ended 31 July 2012

	Note	2012 £000	2011 £000
Surplus on continuing operations before taxation		2,151	2,977
Difference between historical cost depreciation and the actual charge for the year on the re-valued amount	15	1,335	1,335
<b>Historical cost surplus for the year before and after taxation</b>		<b><u>3,486</u></b>	<b><u>4,312</u></b>

## Statement of Consolidated Total Recognised Gains and Losses

For the Year ended 31 July 2012

	Note	2012 £000	2011 £000
Surplus on continuing operations after depreciation of assets at valuation and disposal of assets and tax		2,151	2,977
Revaluation of fixed asset investments		177	267
Actuarial (loss)/gain in respect of pension scheme	24	(6,662)	1,089
<b>Total gains and losses recognised in the year</b>		<b><u>(4,334)</u></b>	<b><u>4,333</u></b>
<b>Reconciliation:</b>			
Opening reserves and endowments		141,088	136,755
Total gains and losses recognised in the year		(4,334)	4,333
<b>Closing reserves and endowments</b>		<b><u>136,754</u></b>	<b><u>141,088</u></b>

# Financial Statements

## Balance Sheets

As at 31 July 2012

	Note	Consolidated		University	
		2012 £000	2011 £000	2012 £000	2011 £000
<b>Fixed assets</b>					
Tangible assets	8	141,304	143,747	141,304	143,747
Investments	9	2,920	2,735	3,430	3,245
		<u>144,224</u>	<u>146,482</u>	<u>144,734</u>	<u>146,992</u>
Endowment assets	10	<u>272</u>	<u>157</u>	<u>272</u>	<u>157</u>
<b>Current assets</b>					
Stocks		165	159	165	159
Debtors	11	9,250	9,839	9,194	10,077
Short term investments		27,500	24,400	27,500	24,400
Cash at bank and in hand		3,395	2,761	2,466	1,799
		<u>40,310</u>	<u>37,159</u>	<u>39,325</u>	<u>36,435</u>
Creditors: amounts falling due within one year	12	<u>(22,163)</u>	<u>(21,359)</u>	<u>(21,536)</u>	<u>(20,994)</u>
<b>Net current assets</b>		<u>18,147</u>	<u>15,800</u>	<u>17,789</u>	<u>15,441</u>
<b>Total assets less current liabilities</b>		<u>162,643</u>	<u>162,439</u>	<u>162,795</u>	<u>162,590</u>
Less: Provisions for liabilities	13	<u>(6,725)</u>	<u>(6,436)</u>	<u>(6,877)</u>	<u>(6,587)</u>
<b>Net assets excluding pension liability</b>		<u>155,918</u>	<u>156,003</u>	<u>155,918</u>	<u>156,003</u>
Net pension liability	24	<u>(8,629)</u>	<u>(3,111)</u>	<u>(8,629)</u>	<u>(3,111)</u>
<b>Net assets including pension liability</b>		<u>147,289</u>	<u>152,892</u>	<u>147,289</u>	<u>152,892</u>
Deferred capital grants	14	10,535	11,804	10,535	11,804
<b>Endowments</b>					
Expendable	10	222	107	222	107
Permanent	10	50	50	50	50
		<u>272</u>	<u>157</u>	<u>272</u>	<u>157</u>
<b>Reserves</b>					
Income and expenditure account excluding pension reserve	15	84,718	82,269	84,718	82,269
Pension reserve	15	<u>(8,629)</u>	<u>(3,111)</u>	<u>(8,629)</u>	<u>(3,111)</u>
Income and expenditure account including pension reserve		<u>76,089</u>	<u>79,158</u>	<u>76,089</u>	<u>79,158</u>
Revaluation reserve	15	60,393	61,773	60,393	61,773
		<u>136,482</u>	<u>140,931</u>	<u>136,482</u>	<u>140,931</u>
<b>Total funds</b>		<u>147,289</u>	<u>152,892</u>	<u>147,289</u>	<u>152,892</u>

The financial statements on pages 22 to 47 were approved by the University Court on 1 November 2012 and signed on its behalf by:

Mr Antony Brian  
Chair of University Court

Professor Pamela Gillies  
Principal and Vice-Chancellor

Mr David Beeby  
Executive Director of Finance



## Consolidated Cash Flow Statement

For the year ended 31 July 2012

	Note	2012 £000	2011 £000
Net cash inflow from operating activities	19	4,857	5,957
Returns on investments and servicing of finance	20	732	491
Capital expenditure and financial investment	21	(1,740)	(291)
Management of liquid resources	22	(3,100)	(6,350)
Increase/(decrease) in cash in the year		<u>749</u>	<u>(193)</u>

## Reconciliation of net cash flow to movement in net funds

For the Year ended 31 July 2012

	Note	2012 £000	2011 £000
Increase/(decrease) in cash in the year		749	(193)
Increase in short term deposits		3,100	6,350
Movement in net funds in the year		<u>3,849</u>	<u>6,157</u>
Net funds at 1 August		27,318	21,161
Net funds at 31 July	23	<u>31,167</u>	<u>27,318</u>

# Financial Statements

## Notes to the Accounts

For the year ended 31 July 2012

	2012 £000	2011 £000
<b>1</b>		
<b>Scottish Funding Council grants</b>		
Recurrent teaching grants	50,961	56,640
Research grants	3,609	3,311
Other grants	4,166	4,279
Capital investment funding	2,457	1,556
Deferred capital grants released:		
Buildings (note 14)	264	264
Equipment (note 14)	71	120
	<u>61,528</u>	<u>66,170</u>
	2012 £000	2011 £000
<b>2</b>		
<b>Tuition fees and education contracts</b>		
UK and EU fees	21,936	21,128
Non-EU fees	8,951	10,205
Education contracts	47	15
	<u>30,934</u>	<u>31,348</u>
	2012 £000	2011 £000
<b>3</b>		
<b>Research grants and contracts</b>		
Grants and contracts	<u>3,858</u>	<u>5,120</u>
This sum includes Industrial and Government-funded Research Grants and contracts. It excludes SFC funding for research shown in note 1.		
	2012 £000	2011 £000
<b>4</b>		
<b>Other income</b>		
Residences, catering and conferences	2,593	2,446
Other university services	2,322	2,536
Other income	3,513	3,539
Income from joint venture	1,216	1,460
	<u>9,644</u>	<u>9,981</u>



## Notes to the Accounts (continued)

For the year ended 31 July 2012

	2012 £000	2011 £000
<b>5</b>		
<b>Endowment and investment income</b>		
Income from expendable endowments	332	180
Income from permanent endowments	1	1
Other interest receivable	460	328
Net return on pension scheme (note 24)	678	384
	<u>1,471</u>	<u>893</u>
	2012 £000	2011 £000
<b>6</b>		
<b>Staff costs</b>		
Wages and salaries	55,247	57,942
Social security costs	4,722	4,866
Other pension costs	7,115	7,455
	<u>67,084</u>	<u>70,263</u>
	2012 £000	2011 £000
Analysed as:		
Academic	41,785	44,179
Administrative	20,383	20,884
Technical	2,406	2,399
Others	2,510	2,801
	<u>67,084</u>	<u>70,263</u>
	2012 £000	2011 £000
<b>Emoluments of the Principal and Vice-Chancellor</b>		
Salary	211	211
Performance related payment	15	-
Payments in lieu of pension contributions	10	-
Benefits in kind	3	2
Pension contributions to USS	24	34

The Principal and Vice-Chancellor elected to forgo her performance related payments of £26,375 in 2011 and £22,772 in 2010.

# Financial Statements

## Notes to the Accounts (continued)

For the year ended 31 July 2012

	2012 Number	2011 Number
<b>6 Staff costs (continued)</b>		
Average staff numbers by major category		
Academic	671	739
Administrative	485	546
Technical	54	55
Others	117	119
	<u>1,327</u>	<u>1,459</u>
	2012 £000	2011 £000
Remuneration of other higher paid staff including non-superannuable elements, but excluding employers' pensions contributions		
£70,000 - £79,999	16	16
£80,000 - £89,999	11	5
£90,000 - £99,999	5	4
£100,000 - £109,999	2	1
£110,000 - £119,999	4	3
£120,000 - £129,999	3	2
£130,000 - £139,999	1	2
£140,000 - £149,999	-	-
£150,000 - £159,999	-	-
£160,000 - £169,999	-	1
£170,000 - £179,999	1	-
£180,000 - £189,999	-	-
£190,000 - £199,999	1	-
	2012 £000	2011 £000
Compensation for loss of office payable to senior post holders		
Compensation payable	<u>236</u>	<u>477</u>
<b>Exceptional restructuring costs</b>		
During the year the University operated a Voluntary Early Release Scheme open to all staff. The breakdown of that scheme is as follows:		
	2012 £000	2011 £000
Academic	333	2,541
Administrative	346	1,961
Technical	7	66
Others	1	116
Associated costs (non payroll)	52	61
	<u>739</u>	<u>4,745</u>

**Notes to the Accounts (continued)**

For the year ended 31 July 2012

**7 Analysis of Expenditure by activity**

	Staff costs £000	Exceptional restructuring costs £000	Other operating costs £000	Depreciation £000	2012 Total £000	2011 Total £000
Academic departments	43,432	240	6,495	404	50,571	54,215
Academic services	8,161	286	7,305	38	15,790	16,685
Research grants & contracts	2,111	-	2,040	-	4,151	5,014
Residences, catering & conferences	323	26	669	300	1,318	1,128
Premises	3,373	-	6,912	2,972	13,257	12,816
Administration and central services	9,684	135	7,788	374	17,981	17,863
Other expenses	-	52	777	-	829	1,404
<b>Total per I &amp; E account</b>	<b>67,084</b>	<b>739</b>	<b>31,986</b>	<b>4,088</b>	<b>103,897</b>	<b>109,125</b>

Other operating expenses (including VAT) include:

	2012 £000	2011 £000
<b>Auditor's remuneration</b>		
External auditors remuneration in respect of audit and audit related services	51	52
External auditors remuneration in respect of non-audit services	25	-
Internal auditors remuneration in respect of audit services	124	162
Internal auditors remuneration in respect of non-audit services	-	-
	<b>2012</b>	<b>2011</b>
	<b>£000</b>	<b>£000</b>
<b>Operating lease rentals</b>		
Land and buildings	1,302	1,065
Other	148	143



# Financial Statements

## Notes to the Accounts (continued)

For the year ended 31 July 2012

### 8 Tangible assets Consolidated & University

At 31 July 2012, in accordance with FRS 11 'Impairment of Fixed Assets and Goodwill' the values of the buildings have been compared to their recoverable amounts, represented by their value in use to the University. Based on indicators available and given the specialised nature, use and size of the buildings, the University is satisfied that there has not been a fall in value that would result in an impairment loss. Further, in accordance with FRS 15 'Tangible Fixed Assets' a full valuation of the University's buildings using the depreciated replacement cost method will be carried out as at 31 July 2013. At 31 July 2010 the University instructed Ryden LLP, Chartered Surveyors, to carry out an interim valuation of the University's buildings using the depreciated replacement cost method.

The University does not hold any heritage assets in accordance with FRS 30 'Heritage Assets'.

	Land & Buildings £000	Assets under Construction £000	Fixtures & Fittings £000	Equipment & Furniture £000	Total £000
<b>Valuation/Cost</b>					
At 1 August 2011	145,598	-	1,498	12,755	159,851
Additions	365	943	36	301	1,645
Disposals	-	-	-	(269)	(269)
<b>At 31 July 2012</b>	<b>145,963</b>	<b>943</b>	<b>1,534</b>	<b>12,787</b>	<b>161,227</b>
<b>Depreciation</b>					
At 1 August 2011	3,371	-	1,179	11,554	16,104
Charge for year	3,254	-	94	740	4,088
Disposals	-	-	-	(269)	(269)
<b>At 31 July 2012</b>	<b>6,625</b>	<b>-</b>	<b>1,273</b>	<b>12,025</b>	<b>19,923</b>
<b>Net Book Value</b>					
At 31 July 2012	<u>139,338</u>	<u>943</u>	<u>261</u>	<u>762</u>	<u>141,304</u>
At 31 July 2011	<u>142,227</u>	<u>-</u>	<u>319</u>	<u>1,201</u>	<u>143,747</u>

At 31 July 2012, land and buildings included £10.1m (2011: £10.1m) in respect of the net book value of freehold land and is not depreciated.

Land and buildings with a cost of £2.5m (2011: £2.5m) and accumulated depreciation of £0.22m (2011: £0.15m) are held for use in an operating lease. The institution is acting as a lessor to British Transport Police.

Buildings with a net book value of £43.4m have been funded from Treasury sources: should these particular buildings be sold, the University would either have to surrender the proceeds to the Treasury or use them in accordance with the Financial Memorandum with the Scottish Funding Council.

**9 Investments**

	Consolidated		University	
	2012 £000	2011 £000	2012 £000	2011 £000
Treasury index linked stocks	2,837	2,652	2,837	2,652
Subsidiary undertakings at cost	-	-	510	510
Other investments	83	83	83	83
	<u>2,920</u>	<u>2,735</u>	<u>3,430</u>	<u>3,245</u>

The Treasury index linked stocks are earmarked to provide the enhanced element of the pensions to those employees who retired in 1995/96 under the Scottish Higher Education Funding Council "New Blood" scheme. The historical cost of these investments was £1,920k.

The University owns 100% of Glasgow Caledonian University Company Limited, which is regarded as a subsidiary undertaking. It was incorporated to develop and control the commercial exploitation of certain non-recurrent grant activities relating mainly to consultancy assignments and short courses. Costs incurred by the University in respect of work undertaken by the subsidiary undertaking are recharged to the company. The investment in this subsidiary undertaking represents 110,000 £1 ordinary shares in Glasgow Caledonian University Company Limited. At 31 July 2012 £328k Gift Aid is payable by the Company to the University (2011: £772k).

The University owns 100% of GCU INTO Limited established to operate the joint venture arrangements, detailed below. This investment represents 100 £1 ordinary shares and 299,900 £1 redeemable preference shares.

The University owns 100% of GCU Academy Limited. The company was established to operate courses, designed for specifically for individual organisations, which lead to a university-level qualification. This investment represents 100,000 £1 ordinary shares. Costs incurred by the University in respect of work undertaken by the subsidiary undertaking are recharged to the company. At 31 July 2012 £30k Gift Aid is payable by the GCU Academy to the University (2011: £9k).

The "Other Investments" at 31 July 2012 represents an investment in Biopta Limited and Glycologic Limited. Biopta Limited was formed in 2002 as a spinout company of the University and it provides in vitro pharmacology services and instruments. Glycologic Limited was formed in 1999 and its principal activity is the provision to industry of systems for the delivery of pharmaceuticals, clinical nutrients and drugs.

**Joint Venture**

On 28 May 2008 the University entered into a Limited Liability Partnership Agreement, INTO Scotland LLP, with INTO University Partnerships Limited. GCU INTO Limited holds a 50% share of INTO Scotland LLP. The remaining 50% share of INTO Scotland LLP is owned by Newincco821 Limited, a wholly owned subsidiary of INTO University Partnerships Limited.

On 28 May 2008 GCU INTO Limited entered into a loan agreement to lend up to £350k to INTO Scotland LLP, at an interest rate of 2% above the base lending rate of Royal Bank of Scotland plc. At 31 July 2012 £100k of the loan had been drawn down (2011: £100k). HMRC have confirmed that the investment is a qualifying investment for tax purposes, as it is always to be used to advance Education.

# Financial Statements

## Notes to the Accounts (continued)

For the year ended 31 July 2012

### 9 Investments (continued)

INTO Scotland LLP operates from Glasgow Caledonian University's campus. Its principal activity is the provision of English language and pre university foundation, diploma and pre master's courses. The arrangement is treated as a joint venture and is accounted for using the gross equity method, such that 50% of the company's gross assets and liabilities are incorporated into the consolidated balance sheet of the University and 50% of its net income is reported in the University's consolidated income and expenditure account.

GCU, GCU INTO Limited and INTO Scotland LLP have financial years that end on 31 July. The University's share in the joint venture is as follows:

	2012 £000	2011 £000
<b>Income and Expenditure Account</b>		
Income	1,202	1,463
Share of operating (loss)/profit	(171)	50
<b>Balance Sheet</b>		
Fixed Assets	91	90
Current Assets	453	621
	<u>544</u>	<u>711</u>
Liabilities: due within one year	(843)	(839)
Liabilities: due after more than one year	(100)	(100)
	<u>(943)</u>	<u>(939)</u>
Share of net liabilities	<u>(399)</u>	<u>(228)</u>

In accordance with FRS 9 'Associates and Joint Ventures' the share in net liabilities as at 31 July 2012 has been disclosed in Note 13 Provisions for liabilities.



Notes to the Accounts (continued)

For the year ended 31 July 2012

10 Endowments

	Unrestricted permanent £000	Restricted permanent £000	Total permanent £000	Restricted expendable £000	2012 Total £000	2011 Total £000
At 1 August						
Capital	14	26	40	100	140	182
Accumulated Income	-	10	10	7	17	16
	<u>14</u>	<u>36</u>	<u>50</u>	<u>107</u>	<u>157</u>	<u>198</u>
New endowments	-	-	-	-	-	-
Income	-	1	1	332	333	181
Expenditure	-	(1)	(1)	(217)	(218)	(222)
	<u>-</u>	<u>-</u>	<u>-</u>	<u>115</u>	<u>115</u>	<u>(41)</u>
At 31 July	<u>14</u>	<u>36</u>	<u>50</u>	<u>222</u>	<u>272</u>	<u>157</u>
Represented by:						
Capital	14	26	40	215	255	140
Accumulated income	-	10	10	7	17	17
	<u>14</u>	<u>36</u>	<u>50</u>	<u>222</u>	<u>272</u>	<u>157</u>
Represented by:						
Cash at bank held for endowment funds					<u>272</u>	<u>157</u>

11 Debtors

	Consolidated		University	
	2012 £000	2011 £000	2012 £000	2011 £000
Amount falling due within one year:				
Debtors	4,391	4,984	3,952	4,562
Amounts owing from subsidiary companies	-	-	417	861
Prepayments and accrued income	3,867	2,770	3,830	2,563
Debtors falling due after more than one year	3,500	3,500	3,500	3,500
Provision for bad and doubtful debts	(2,508)	(1,415)	(2,505)	(1,409)
	<u>9,250</u>	<u>9,839</u>	<u>9,194</u>	<u>10,077</u>

The University Court of Glasgow Caledonian University and INTO Glasgow LP contracted in 2008 to design, build and construct a bespoke international college on land owned by the University. Building permission was granted in September 2011. The lease premium of £3.5m is payable upon practical completion which is contracted to be no later than 1 January 2017.

# Financial Statements

## Notes to the Accounts (continued)

For the year ended 31 July 2012

### 12 Creditors: amounts falling due within one year

	Consolidated		University	
	2012 £000	2011 £000	2012 £000	20101 £000
Trade creditors	4,764	2,757	4,747	2,735
Social security and other taxation payable	1,451	1,528	1,451	1,528
Amounts owing to subsidiary companies	-	-	-	4
Accruals and deferred income	15,948	17,074	15,338	16,727
	<u>22,163</u>	<u>21,359</u>	<u>21,536</u>	<u>20,994</u>

### 13 Provisions for liabilities Consolidated

	INTO Scotland LLP £000	Other £000	Early retirement pension costs £000	Total £000
At 1 August	228	246	5,962	6,436
Expenditure in the year	-	(30)	(411)	(441)
Additional provision required in the year	171	29	530	730
At 31 July	<u>399</u>	<u>245</u>	<u>6,081</u>	<u>6,725</u>

### University

	Other £000	Early retirement pension costs £000	Total £000
At 1 August	625	5,962	6,587
Expenditure in the year	(30)	(411)	(441)
Additional provision required in the year	201	530	731
At 31 July	<u>796</u>	<u>6,081</u>	<u>6,877</u>

The INTO Scotland LLP provision represents the share of deficiency in net assets within a joint venture (see note 9).

The Other provision represents possible payments due on contracts following revised legislation, obligations in respect of the CRC Energy Efficiency Scheme and in respect of group payments.

A valuation of the existing pension provision was carried out by Hymans Robertson LLP, an independent firm of actuaries at 31 July 2012. The net interest rate applied was 2.5% (2011: 2.7%).

## Notes to the Accounts (continued)

For the year ended 31 July 2012

### 14 Deferred capital grants

	Consolidated & University		
	Buildings £000	Equipment £000	Total £000
At 1 August 2011			
Funding Council	11,695	93	11,788
Other	-	16	16
Total	<u>11,695</u>	<u>109</u>	<u>11,804</u>
Cash receivable	-	-	-
Funding Council	<u>-</u>	<u>-</u>	<u>-</u>
Released to income and expenditure account			
Funding Council	(1,199)	(54)	(1,253)
Other	-	(16)	(16)
Total	<u>(1,199)</u>	<u>(70)</u>	<u>(1,269)</u>
At 31 July 2012			
Funding Council	10,496	39	10,535
Other	-	-	-
Total	<u><u>10,496</u></u>	<u><u>39</u></u>	<u><u>10,535</u></u>



# Financial Statements

## Notes to the Accounts (continued)

For the year ended 31 July 2012

### 15 Reserves

	Consolidated		University	
	2012 £000	2011 £000	2012 £000	2011 £000
<b>Income and expenditure reserve</b>				
At 1 August	79,158	73,456	79,158	73,456
Surplus retained	2,036	3,018	2,036	3,018
Transfer from revaluation reserve to income and expenditure account	1,335	1,335	1,335	1,335
Cumulative revaluation written back on fixed asset investment disposals	222	260	222	260
Actuarial (loss)/gain in pension scheme	(6,662)	1,089	(6,662)	1,089
At 31 July	<u>76,089</u>	<u>79,158</u>	<u>76,089</u>	<u>79,158</u>
<b>Represented by:</b>				
	Consolidated		University	
	2012 £000	2011 £000	2012 £000	2011 £000
<b>Income and expenditure account</b>				
At 1 August	82,269	78,429	82,269	78,429
Surplus retained	2,036	3,018	2,036	3,018
Cumulative revaluation written back on fixed asset investment disposals	222	260	222	260
Transfer of amount equivalent to additional depreciation of fixed assets	1,335	1,335	1,335	1,335
Transfer to pension reserve	(1,144)	(773)	(1,144)	(773)
At 31 July	<u>84,718</u>	<u>82,269</u>	<u>84,718</u>	<u>82,269</u>
<b>Pension reserve</b>				
	Consolidated		University	
	2012 £000	2011 £000	2012 £000	2011 £000
At 1 August	(3,111)	(4,973)	(3,111)	(4,973)
<b>Movement in year:</b>				
Current service cost	(2,758)	(2,652)	(2,758)	(2,652)
Employer contributions	3,367	3,136	3,367	3,136
Contributions in respect of unfunded benefits	38	39	38	39
Past service cost	(181)	(134)	(181)	(134)
Net interest return on assets (note 5)	678	384	678	384
Transfer from income and expenditure reserve	1,144	773	1,144	773
Actuarial (loss)/gain in pension scheme	(6,662)	1,089	(6,662)	1,089
At 31 July	<u>(8,629)</u>	<u>(3,111)</u>	<u>(8,629)</u>	<u>(3,111)</u>

## Notes to the Accounts (continued)

For the year ended 31 July 2012

### 15 Reserves (continued)

	Consolidated		University	
	2012 £000	2011 £000	2012 £000	2011 £000
<b>Revaluation reserve</b>				
At 1 August	61,773	63,101	61,773	63,101
Cumulative revaluation written back on fixed asset investment disposals	(222)	(260)	(222)	(260)
Transfer of amount equivalent to additional depreciation of fixed assets	(1,335)	(1,335)	(1,335)	(1,335)
Revaluation of fixed asset investments	177	267	177	267
At 31 July	<u>60,393</u>	<u>61,773</u>	<u>60,393</u>	<u>61,773</u>

### 16 Lease obligations

Annual rentals under operating leases commitments are as follows:

	2012 £000	2011 £000
<b>Land and buildings</b>		
Expiring within two to five years	778	156
Expiring over five years	450	898
	<u>1,228</u>	<u>1,054</u>
<b>Other</b>		
Expiring within one year	26	13
Expiring within two to five years	118	55
Expiring in over five years	-	50
	<u>144</u>	<u>118</u>

### 17 Capital commitments

	2012 £000	2011 £000
Commitments contracted for	6,350	7,026
Authorised but not contracted for	26,499	-
	<u>32,849</u>	<u>7,026</u>

The above commitments include the capital investment in the Combined Heat and Power plant and the Heart of Campus development. Of the commitments, £10m (2011:£nil) will be funded from a 16 year loan facility agreed with Lloyds Banking Group plc and backed by the European Investment Bank, with the balance being funded from cash reserves and grants.

### 18 Contingent liabilities

Based on the facts known at this point in time there are no contingent liabilities or any potential liabilities that would be considered material in overall financial terms.

# Financial Statements

## Notes to the Accounts (continued)

For the year ended 31 July 2012

<b>19</b>	<b>Reconciliation of consolidated operating surplus to net cash inflow from operating activities</b>		
		2012	2011
		£000	£000
	Surplus after depreciation of assets, disposal of assets and taxation	2,151	2,977
	Depreciation	4,088	4,261
	Pension costs less contribution payable	(466)	(389)
	Deferred capital grants released to income	(335)	(384)
	Share of operating loss/(profit) in joint venture	171	(50)
	Endowment & investment income	(1,471)	(893)
	(Gain)/loss on sale of investments	(8)	5
	(Increase)/decrease in stocks	(6)	336
	Decrease in debtors	647	558
	Decrease in creditors	(32)	(492)
	Increase in provisions	118	28
	<b>Net cash inflow from operating activities</b>	<u><u>4,857</u></u>	<u><u>5,957</u></u>
<b>20</b>	<b>Returns on investments and servicing of finance</b>		
		2012	2011
		£000	£000
	Income from endowments	333	181
	Other interest received	399	310
	<b>Net cash inflow from returns on investment and servicing of finance</b>	<u><u>732</u></u>	<u><u>491</u></u>
<b>21</b>	<b>Capital expenditure and financial investments</b>		
		2012	2011
		£000	£000
	Tangible assets acquired	(1,452)	(996)
	Payments made to acquire fixed asset investments	(672)	(825)
	Receipts from sale of investments	673	824
	Deferred capital grants	(289)	706
	<b>Net cash outflow in respect of capital expenditure and financial investment</b>	<u><u>(1,740)</u></u>	<u><u>(291)</u></u>
<b>22</b>	<b>Management of liquid resources</b>		
		2012	2011
		£000	£000
	Increase in deposits	(3,100)	(6,350)
		<u><u>(3,100)</u></u>	<u><u>(6,350)</u></u>



**Notes to the Accounts (continued)**

For the year ended 31 July 2012

**23 Analysis of changes in net funds**

	At 1 August 2011 £000	Cash flows £000	At 31 July 2012 £000
Cash at bank and in hand	2,761	634	3,395
Endowment assets	<u>157</u>	<u>115</u>	<u>272</u>
	2,918	749	3,667
Short term investments	24,400	3,100	27,500
	<u>27,318</u>	<u>3,849</u>	<u>31,167</u>

**24 Pension schemes**

The University participates in three separate defined benefit schemes to provide retirement benefits to employees based on final pensionable salary. Academic staff are members of the Scottish Teachers Superannuation Scheme (STSS) or the Universities Superannuation Scheme (USS); non academic staff are members of the Strathclyde Pension Fund (SPF). All schemes are subject to independent actuarial valuations.

The University contribution rates on eligible salary costs are:

	1/8/2011 to 31/7/2012
Academic staff STSS	14.9%
Administrative and Manual Staff SPF	19.3%
Academic staff USS	16.0%

	STSS 31 March 2005	SPF 31 March 2011	USS 31 March 2011
Date of last actuarial review/valuation:			
Market value of assets at date of last valuation	£13,030m	£11,322m	£32,434m
Proportion of members benefits covered by actuarial valuation	-	97%	92%

	2012 £000	2011 £000
The total pension costs for the year were:		
Normal contribution to:		
STSS – contributions paid	3,772	4,105
SPF – charge to income and expenditure account	2,759	2,786
USS – contributions paid	584	543
	<u>7,115</u>	<u>7,434</u>

# Financial Statements

## Notes to the Accounts (continued)

For the year ended 31 July 2012

### 24 Pension schemes (continued)

With the exception of the Strathclyde Pension Fund, the University has utilised the provisions of FRS 17 whereby the contributions to the schemes be accounted for as if they were defined contribution schemes. As such, the costs recognised within the University's income and expenditure account will be equal to the contributions payable to the schemes in the year.

#### The Strathclyde Pension Fund

The Strathclyde Pension Fund provides benefits on final pensionable salary for employees of local government and some other institutions. This scheme, a multi-employer defined benefits scheme covers past and present employees.

A valuation of the University's benefit obligations in respect of its members has been estimated by a qualified independent actuary based on the 31 March 2011 valuation results, rolled forward onto the FRS 17 assumptions at 31 July 2012.

The major assumptions used are shown below.

Principal actuarial assumptions (expressed as weighted averages) at the end of the year were as follows:

Financial assumptions	2012	2011
Pension increase	1.80%	2.70%
Salary increase rate*	3.85%	4.75%
Expected return on assets	4.90%	6.40%
Discount rate	4.30%	5.40%

\*The salary increase assumption is 1% p.a. to March 2015 returning to each respective long term assumption detailed above thereafter.

#### Mortality assumptions

The life expectancies used to determine benefit obligations are as follows:

	Male	Female
Current pensioners	20.3 years	23.2 years
Future pensioners	21.7 years	24.6 years

The fair value of the plan assets and the return on those assets were as follows:

	2012		2011	
	Long term rate of return %	Value £000	Long term rate of return %	Value £000
Equities	5.5	61,581	7.0	62,404
Bonds	3.3	10,967	4.7	10,674
Property	3.7	6,749	5.1	4,927
Cash	2.8	5,062	4.0	4,106
		<u>84,359</u>		<u>82,111</u>

## Notes to the Accounts (continued)

For the year ended 31 July 2012

<b>24 Pension schemes (continued)</b>	<b>2012</b>	<b>2011</b>
	<b>£000</b>	<b>£000</b>
Fair value of plan assets	84,359	82,111
Present value of funded defined benefit obligations	(92,547)	(84,784)
Present value of unfunded defined benefit obligations	(441)	(438)
	<u>(8,629)</u>	<u>(3,111)</u>
Net liability	<u>(8,629)</u>	<u>(3,111)</u>
	<b>2012</b>	<b>2011</b>
	<b>£000</b>	<b>£000</b>
<b>Movements in fair value of plan assets</b>		
At 1 August	82,111	71,817
Expected return on plan assets	5,339	4,822
Actuarial (losses)/gains	(5,784)	2,929
Contributions by the employer	3,367	3,136
Contributions in respect of unfunded benefits	38	39
Contributions by members	1,122	1,166
Unfunded benefits paid	(38)	(39)
Benefits paid	(1,796)	(1,759)
	<u>84,359</u>	<u>82,111</u>
At 31 July	<u>84,359</u>	<u>82,111</u>
	<b>2012</b>	<b>2011</b>
	<b>£000</b>	<b>£000</b>
<b>Movements in present value of defined benefit obligations</b>		
At 1 August	85,222	76,790
Current service cost	2,758	2,652
Past service costs	181	134
Interest cost	4,661	4,438
Actuarial losses	878	1,840
Contributions by members	1,122	1,166
Estimated unfunded benefits paid	(38)	(39)
Benefits paid	(1,796)	(1,759)
	<u>92,988</u>	<u>85,222</u>
At 31 July	<u>92,988</u>	<u>85,222</u>
	<b>2012</b>	<b>2011</b>
	<b>£000</b>	<b>£000</b>
<b>Expense recognised in the income and expenditure account</b>		
Current service cost	2,758	2,652
Past service cost	181	134
	<u>2,939</u>	<u>2,786</u>
Total operating charge	<u>2,939</u>	<u>2,786</u>
Expected return pension scheme assets	(5,339)	(4,822)
Interest cost	4,661	4,438
	<u>(678)</u>	<u>(384)</u>
Total net finance return	<u>(678)</u>	<u>(384)</u>
<b>Total pension cost recognised in the income and expenditure account</b>	<u>2,261</u>	<u>2,402</u>



# Financial Statements

## Notes to the Accounts (continued)

For the year ended 31 July 2012

### 24 Pension schemes (continued)

	2012 £000	2011 £000
<b>Statement of total recognised gains and losses (STRGL)</b>		
Actuarial (losses)/gains	<u>(6,662)</u>	<u>1,089</u>

The cumulative actuarial (losses)/gains recognised in the statement of total recognised gains and losses are (£6,500,000) (2011: £162,000).

The history of the plans for the current and prior periods is as follows:

	2012 £000	2011 £000	2010 £000	2009 £000	2008 £000
<b>Balance sheet</b>					
Present value of scheme liabilities	(92,547)	(84,784)	(76,511)	(71,871)	(64,223)
Fair value of scheme assets	84,359	82,111	71,817	58,906	60,996
Present value of unfunded liabilities	(441)	(438)	(279)	(306)	(321)
Net liability	<u>(8,629)</u>	<u>(3,111)</u>	<u>(4,973)</u>	<u>(13,271)</u>	<u>(3,548)</u>

	2012 £000/ %	2011 £000/ %	2010 £000/ %	2009 £000/ %
<b>Experience adjustments</b>				
Experience adjustments on scheme liabilities	865	(181)	10	13
Percentage of scheme liabilities	0.93	0.21	0.01	0.02
Experience adjustments on scheme assets	(5,784)	2,929	5,994	(9,152)
Percentage of scheme assets	6.86	3.56	8.34	15.54

The University expects to contribute approximately £3,177k to the Strathclyde Pension Fund in 2012/13. There were no outstanding contributions at the balance sheet date (2011: nil).

#### The Scottish Teachers Superannuation Scheme

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

The latest full actuarial valuation of the STSS received from the Scottish Public Pension Agency is as at 31 March 1996. However, an actuarial review as at 31 March 2005 was issued in June 2008 by the Government Actuary. This review shows assets of £13,030m and the review assumes that the investment rate of return would be 2% in real terms and that pensions would increase by 3.5% per annum in real terms. There were no outstanding contributions at the balance sheet date (2011: nil).

#### Universities Superannuation Scheme (USS)

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.

## 24 Pension schemes (continued)

**Universities Superannuation Scheme (USS) (continued)**

Because of the mutual nature of the scheme, the scheme's assets are not hypothecated to individual institutions and a scheme-wide contribution rate is set. The institution 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 scheme on a consistent and reasonable basis and therefore, as required by FRS 17 "Retirement benefits", accounts for the scheme as if it were a defined contribution scheme. As a result, the amount charged to the income and expenditure account represents the contributions payable to the scheme in respect of the accounting period.

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 2012 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. An "inflation risk premium" adjustment was also included by deducting 0.3% from the market-implied inflation on account of the historically high level of inflation implied by government bonds (particularly when compared to the Bank of England's target of 2% for CPI which corresponds broadly to 2.75% for RPI per annum).

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 3 years following the valuation then 2.6% per annum thereafter.

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

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

# Financial Statements

## Notes to the Accounts (continued)

For the year ended 31 July 2012

### 24 Pension schemes (continued)

#### Universities Superannuation Scheme (USS) (continued)

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 £2,910.2million. 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 past 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 trustees have determined, after consultation with the employers, a recovery plan to pay off the shortfall by 31 March 2021. The next formal triennial actuarial valuation is as at 31 March 2014. If experience up to that date is in line with the assumptions made for this current actuarial valuation and contributions are paid at the determined rates or amounts, the shortfall at 31 March 2014 is estimated to be £2.2 billion, equivalent to a funding level of 95%. The contribution rate will be reviewed as part of each valuation and may be reviewed more frequently.

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 has been included, in addition, on account of the variability mentioned above.

As at the valuation date 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 previous valuation as at 31 March 2008 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 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.

## 24 Pension schemes (continued)

## Universities Superannuation Scheme (USS) (continued)

*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%.

Since 31 March 2011 global investment markets have continued to fluctuate and following its peak in September 2011 inflation has declined rapidly towards the year end, although the market's assessment of inflation has remained reasonably constant. The actuary has estimated that the funding level as at 31 March 2012 under the scheme specific funding regime had fallen from 92% to 77%. This estimate is based on the results from the valuation at 31 March 2011 allowing primarily for investment returns and changes to market conditions. These are sighted as the two most significant factors affecting the funding positions which have been taken into account for the 31 March 2012 estimation.

On the FRS17 basis, using an AA bond discount rate of 4.9% per annum based on spot yields, the actuary calculated that the funding level at 31 March 2012 was 74%. An estimate of the funding level measured on a historic gilts basis at that date was approximately 56%.

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.

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.

At 31 March 2012, USS had over 145,000 active members and the institution had one deferred member and 64 active members participating in the scheme. There were no outstanding contributions at the balance sheet date (2011: nil).



# Financial Statements

## Notes to the Accounts (continued)

For the year ended 31 July 2012

### 25 Disclosure of related party transactions

Due to the nature of the University's operations and the composition of the University 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 the University Court may have an interest. All transactions involving organisations in which a member of the University Court may have an interest are conducted at arm's length and in accordance with the University financial regulations and normal procurement procedures.

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

Transactions in the year with Biopta Limited and Glycologic Limited, GCU spin out companies were reviewed and no material payments have been made to or received from the companies.

The University makes certain payments to and is re-imbursed for certain costs by Glasgow Caledonian University Students' Association (GCUSA). The University does not exercise day to day control over the affairs of GCUSA.

### 26 Childcare and hardship fund

	Childcare Fund £000	Hardship Fund £000	Total £000
At 1 August	61	228	289
Allocation received in year	532	927	1,459
Expenditure	(179)	(1,388)	(1,567)
Repaid by clawback	(27)	(144)	(171)
Institution contribution to funds (bank interest)	2	4	6
Virements	(386)	386	-
<b>At 31 July</b>	<b>3</b>	<b>13</b>	<b>16</b>
Repayable as clawback	3	13	16
Retained for students	-	-	-

Grants are available solely for students. The University acts only as a paying agent. In the University's view the regular repayment of these funds is a consequence of the restrictive condition placed upon their distribution.

### 27 Post balance sheet events

There were no post balance sheet events which would require disclosure within these financial statements.

**28 Subsidiary undertakings**

The subsidiary companies, all of which are registered in Scotland and are 100% owned by the University, are as follows:

Company	Principal Activity
Glasgow Caledonian University Company Limited	The provision of training, consultancy and research
Glasgow Caledonian University Nominee Company	Ownership of Heatherbank Museum assets
GCU INTO Limited	Holds University share in INTO Scotland LLP
GCU Academy Limited	The provision of courses, designed specifically for individual organisations, which provide a university level education leading to a qualification



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