



Annual Financial Statements

Year ended 31 July 2018



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Introduction from the Principal and Vice-Chancellor



Through these financial statements the University is again able to report a modest underlying operating surplus for 2017/18. This performance has been achieved as a result of a range of measures including targeted growth, improvements in efficiency and continued pro-active cost control across the University.

One of the highlights of this past year was welcoming Chancellor Annie Lennox OBE as our fifth, and first female, Chancellor of the University. She succeeds Nobel Laureate Professor Muhammad Yunus who retains a lifelong connection with us as our first Emeritus Chancellor. Chancellor Lennox has already graduated her first cohort of students and is pledged to helping us deliver our Common Good mission.

Overall, our University has made good progress this year and I believe our reputation and esteem will continue to be enhanced in the year ahead.

The academic year 2017/18 has been an historic year for the University, a year in which we have continued to lead the sector in widening access to higher education for students from all backgrounds, improved our students' learning experience and increased our research grant funding in key areas of the United Nations Sustainable Development Goals, which serve as the framework for our Research Strategy.

Our continued efforts to improve the student experience were recognised in a number of areas including the School of Health and Life Sciences' Learning Development Centre being named the Academic Support Team of the Year in The Herald Higher Education Awards; our student international mobility rate increasing 2% from last year to 13%; and 81% of our students being satisfied with their course in the recent National Student Survey results.

Our graduate employment statistics are impressive with 95% of our graduates in work or further study within six months of graduating and 74% securing graduate employment.

The University recruited within the Scottish Funding Council parameters for Home and EU students in 2017/18, and the number of international students at our UK campuses remained static, representing 7.3% of total students in the UK. Taught postgraduate numbers were down slightly but a key focus for the coming year is recruitment growth in this area, supported by the new Government loan scheme for students. Our first cohort of Masters students enrolled at GCNYC and are set to graduate in December 2018. I am confident that we can build all our student numbers in the coming academic period with a refreshed marketing and recruitment strategy which highlights our modern city centre campus, GCU's global footprint and our excellence in teaching and research.

Professor Pamela Gillies CBE, FRSE
BSc, PGCE, MEd, MMedSci, PhD, FRSA, FFPH,
FAcSS, Hon FRCPS (Glasg), DSc
Principal and Vice-Chancellor



Key Financial Highlights

The consolidated results for the year ended 31 July 2018 are summarised below:

	2017/18 £000	2016/17 £000
Income	119,821	116,161
Expenditure excluding restructuring and non-cash FRS 102 pension costs	119,056	114,313
Underlying operating surplus	765	1,848
Restructuring costs	(4,237)	(1,577)
Non-cash FRS 102 pension costs	(4,083)	(3,068)
Deficit before other gains and share of deficit in joint venture	(7,555)	(2,797)
Other Items (including gains/losses, taxation and JV)	(211)	(247)
Deficit for the year*	(7,766)	(3,044)
Cash at bank including current investments	19,402	17,907
Unrestricted reserves	85,687	64,173
Net assets	163,591	144,234
Cash flow from operating activities	3,980	1,318

*Before other comprehensive income

Strategic Report

Corporate Review

The University

Glasgow Caledonian University (GCU) is a vibrant, innovative and multi-award winning University for the Common Good. With campuses in Glasgow, London and New York, and partners in Oman, Bangladesh and Africa, we are extending our global impact and engaging in new ways with learners and communities.

The University aims to contribute to society in a manner that embraces yet goes beyond the traditional role of a university. GCU's 'For the Common Good' commitment is brought to life and delivered by students and staff across academic schools and departments.

Study and Research are grouped into Academic Schools and Research Centres and are supported by a number of Professional Support Departments. The Schools are the cornerstones of academic life at the University, offering high-quality programmes, professional training courses, research opportunities and consultancy services. Our applied research addresses three major societal challenges, enabling communities in the UK and internationally to build inclusive

societies and live healthy lives in sustainable environments. Research is supported by Research Centres in areas of expertise that reflect our commitment to the Common Good, including the Yunus Centre for Social Business and Health, the Centre for Living and the Centre for Climate Justice. In 2017, the University's Research Strategy was reframed around the United Nations Sustainable Development Goals, enhancing integration with initiatives such as PRME and AshokaU.

Constitution, governance and regulation

The constitution of the University Court is set out in the Glasgow Caledonian University Order of Council 2010. The membership consists of appointed lay Governors as well as ex officio and elected Governors.

The appointed lay governor membership consists of a minimum of nine and a maximum of 18 members who are selected on the basis of their expertise and experience and with a view to securing balance and diversity in the Court's composition. The appointed lay governor membership must maintain an overall majority on the University Court. The Principal and Vice-Chancellor and the President of the



Cabinet Secretary for Environment, Climate Change and Land Reform Roseanna Cunningham joins Professor Tahseen Jafry to congratulate GCU on founding the Centre for Climate Justice.

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 professional services and support staff from among the members of such staff. The Court is in the process of seeking amendment to the Glasgow Caledonian University Order of Council 2010 to ensure that its membership structure is consistent with the requirements of the Higher Education Governance (Scotland) Act 2016.

GCU is also a regulated charity in Scotland, with the Office of the Scottish Charity Regulator under number SC021474.

The full statement of corporate governance arrangements, which includes the Court's responsibilities and current membership, is detailed within the Corporate Governance Statement on page 19 of these financial statements.

Strategy 2020: University for the Common Good

Strategy 2020 sets out the University's distinctive vision to achieve a global reputation for delivering social benefit and impact through education, research and innovation.

As the University for the Common Good, GCU has five overarching strategic goals:

Goal one | Transforming lives through education

We will deliver excellence in learning and an outstanding student experience which equips students with the employability and entrepreneurial skills to succeed as global citizens, and enables them to make a positive impact within their communities, transforming their lives and the lives of others.

Goal two | Enriching cities and communities through research

We will build on our key areas of research excellence in inclusive societies, healthy lives and sustainable environments to address societal challenges and enrich cities and communities.

Goal three | Innovating for social and economic impact

We will innovate for social and economic impact, providing social solutions through applied research and development, and working in partnership with business, the public and voluntary sectors.

Goal four | Engaging globally

We will harness our campuses in Glasgow and London, the Glasgow Caledonian New York College, and educational offerings in Oman and Bangladesh, to extend our global reach

and impact, providing opportunities to engage in new ways with learners, partners and communities at home and overseas.

Goal five | Aligning for the Common Good

We will develop and deepen our strategic relationships with local and global thought leaders, aligning with others to champion social justice and promote our mission For the Common Good.

Staff, students and partners are central to the delivery of Strategy 2020. The Strategy is underpinned by a suite of cross-cutting strategies in learning, research, internationalisation, and development of our people, digital capabilities and learning environments.

Strategic indicators and monitoring framework

The University has developed a set of 2020 Strategic Indicators, approved by the University Court, which set ambitious outcomes for measuring progress against the 2020 goals:

- Maintain a leading position for widening access
- Achieve excellent student satisfaction
- Ensure positive outcomes for our students and graduates
- Diversify our student population, growing the proportion of postgraduate and international students
- Enhance the global impact of our research, focussing on its reach and significance in addressing societal challenges
- Increase income from research, knowledge exchange and commercial activities
- Enhance staff engagement and grow the proportion of our academic staff holding doctoral and postgraduate qualifications
- Ensure financial sustainability
- Be recognised as a leading university for environmental sustainability

The University Court monitors the sustainability of the University through an annual Strategic Report which provides a full account of institutional performance against the 2020 Indicators. In addition, Court and its Committees receive regular monitoring reports throughout the academic year in relation to key elements of Strategy 2020 and the supporting strategies.

Performance

The University performed strongly in academic year 2017-18 in terms of the published student attainment metrics. It achieved its highest ever rates in projected degree completion and non-continuation following the year of entry. Projected degree completion for full-time first degree students improved by two percentage points to 80.9%, against a

Scottish sector average of 80.6% and a modern university average of 76.4%. For projected 'drop-out' GCU is at 8.6%, outperforming the sector average of 9.7%. Based on both young and mature entrants, the non-continuation rate after first year of entry is 6.8%, an improvement from 8.9% last year and well ahead of the Scottish modern university average of 14.5%.

The University is committed to widening access to higher education. A total of 49% of first degree full-time UK entrants are the first from their family to attend university. GCU currently meets the Commission on Widening Access 2030 target as 21% of our Scottish undergraduate students are from 20% of Scotland's most deprived areas, this compares favourably to a Scottish sector average of 14%. We achieved our SFC articulation targets in 2017-18 and the percentage of mature students from the most deprived areas was very high at 35%, above the sector average of 24%. The University's performance in attracting widening access students is matched by a strong track record in retention of students from SIMD20 backgrounds, excelling in the sector. GCU is the top modern university in Scotland for retention of widening access students, and is third overall in Scotland for retention of SIMD20 students.

Facilitating positive outcomes for our students is crucial. 79.8% of our students graduate with a First Class or 2:1 Honours Degree and 95% of our graduates are in work or further study within six months of graduating. GCU has close links with business, the professions and the public and voluntary sectors. A total of 74% of undergraduate programmes hold professional body accreditation and 71% offer work or clinical placements for students. Over 90% of students believe their work placements were valuable in helping them with their learning and developing their skills in relation to their course and 86% believed they helped them develop general life skills. At undergraduate level, 42% of respondents in our student experience survey reported that they had the opportunity through GCU to take part in community engagement activities or volunteering, and in terms of international mobility, in 2017-18 13% of students had undertaken an international study, volunteer or exchange experience during their time at GCU.

The student experience

GCU is committed to providing students with a truly outstanding experience, supporting them to achieve their full potential. The student experience encompasses all aspects of student life both inside and outside the classroom. We strive



Deputy First Minister of Scotland John Swinney visiting the University's Advanced Higher Hub.

to continually improve all areas of the student experience at GCU. We recognise that creating an excellent student experience involves every aspect of university business and every member of staff, and that is why our University community is committed to working in partnership with our students to achieve success.

The Student Experience 2020 Action Plan (SEAP)

The SEAP is the vehicle we use to deliver a targeted and sustained improvement in our student experience. Led by the Deputy Vice Chancellor (Academic), an Enhancing the Student Experience (ETSE) Steering Group, with representation from the Students' Association and staff across the University, is responsible for overseeing implementation and monitoring progress.

The Plan currently focuses on four themes - identified as a result of extensive staff and student consultation and a systematic review of student feedback results, including The National Student Survey (NSS):

- Student Engagement and a Sense of Belonging
- Programme Organisation and Management
- Assessment and Feedback
- Wider Student Experience

A mix of cross-University and local actions are all mapped to these four overarching themes. This central and distributed model provides a co-ordinated, strategic approach with clear lines of responsibility and accountability.

Progress against SEAP objectives are measured against a number of KPIs including the Strategy 2020 strategic indicators which are, overseen by the Executive Board, ETSE Steering Group, Academic Policy and Practice Committee and Senate.

Key Achievements 2017/18

The ETSE Steering Group and SEAP have now been in operation for two years and a number of actions within the plan have been completed and have achieved positive results. Some examples of the activities which have been delivered to date are outlined below:

Theme 1: Student Engagement and a Sense of Belonging

- In 2017/18, a culture change and supporting student success programme was designed for Programme Leaders and students, who were supported to attend an externally-delivered workshop to develop resilience, belonging and confidence. These workshops were delivered by GRIT, an organisation with a strong track record in delivering transformational programmes for young people and the professionals who support them, and both staff and students described participation in this three-day course as 'life changing'.
- Student representatives are being supported to participate as full panel members in academic quality assurance and enhancement processes including Programme Approval, Programme Review and Enhancement-led Internal Subject

Review. Four GCU students were successful in their application to become ELIR4 Reviewers with QAA Scotland.

- GCU Experience Surveys are being implemented annually for undergraduate students who are not participating in the NSS, and for all Postgraduate Taught students, enabling a more systematic overview of feedback across all areas of the student experience.
- The new GCU 2020 Student Partnership Agreement, 'GCU Community: Working Together in Partnership', which has been developed in collaboration with our Students' Association was rolled out. The agreement reinforces GCU's view of staff and students working as partners as central to the delivery of excellence in learning and an outstanding student experience.

Theme 2: Programme Organisation and Management

- An enhanced, long-thin, approach to student induction has been implemented, including the introduction of an induction App and MOOC to aid a student's transition to university. In addition, annual timetables have been introduced to allow students to plan for the full academic year ahead. These improvements have been very well received by students and staff.

Theme 3: Assessment and Feedback

- In line with the Digital Assessment Policy, academic staff are being supported to develop their skills in use of digital approaches to submission, marking and feedback. Standard desktop equipment is being replaced with laptops and peripherals to enable flexible approaches to online marking and feedback, aiming to enhance 'quality' of feedback and timely provision to students.

- The University is enhancing opportunities for students to give and receive feedback, such as recent implementation of the mid-trimester 'feedback week' to allow students with academic staff to pause and reflect on their learning to date, and allowing two-way feedback for students and staff. Academic Schools remain committed to closing the feedback loop.

Theme 4: Wider Student Experience

- The introduction of a new Student Communications Team has been the first phase of a step change in how we approach student communication. This has resulted in extremely positive feedback from both students and staff and a significant increase in student engagement across social media platforms. The GCU student webpages have been refreshed and restyled with a modern look and feel.

- A Student Mental Health Task Group was established to review and make recommendations on, the University's approach to the promotion and support of student mental health and wellbeing. Their report and recommendations which included the Mental Health 2020 Action plan, was presented to Executive Board in July 2018. The 2018 Student Experience Summit was dedicated to this important topic and a Student Mental Health Agreement (SMHA) agreed jointly between the university and the Students' Association. In addition, a number of wellbeing policies have been implemented to support and protect all GCU students.

- A campaign - #erasethegrey - was launched as part of GCU's approach to the prevention of and response to gender-based violence. The campaign has been very well received by the GCU community and by external bodies.

- A Common Good Award was successfully piloted in 2017/18 with students at Level 3 and above. The Principal and Vice-Chancellor presented successful students with their Award at a celebration event in May 2018. The Common Good Award will be rolled out to all year groups from 2018/19.

- A small number of cross-University 2020 Student Experience Scholarships are funded and supported each year. The Scholarship projects align with the four SEAP themes and contribute towards GCU's QAA Enhancement Theme activity.

Next Phase

The following priority areas have been identified for 2018/19, and a detailed work plan for 2018/19 is currently under development in partnership with the academic Schools,



The inaugural Common Good Awards were presented to students.



The #erasethegrey campaign was launched across campus.

Students' Association and Professional Support Departments:

1. Personal tutoring
2. Student engagement/student voice
3. Digital learning, assessment and feedback
4. Academic Leadership
5. Wider student experience

Student recruitment

Our Strategy 2020 drives our ambitions for the size and shape of our student population, together with our commitment to widening access to higher education and contributing to meeting the skills needs of the economy. Recruitment of Scottish, UK and international students underpins important revenue streams of the University. A shortfall against recruitment targets is a key risk that is managed by the University.

The University's total student population in 2017/18, across Glasgow and London campuses, expressed as headcount and rounded full time equivalents (FTE) by level and by domicile grouping, is outlined in the tables below.

2017/18 student population - by level of study

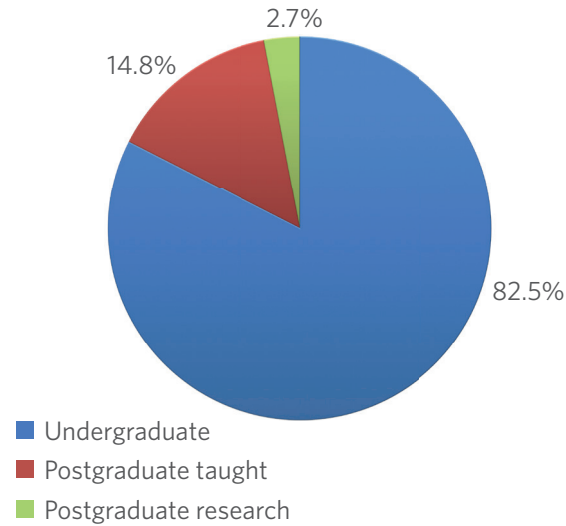
	Headcount	FTE
Undergraduate	13,577	12,005
Postgraduate taught	2,425	1,444
Postgraduate research	449	304
Total	16,451	13,753

2017/18 student population - by domicile grouping

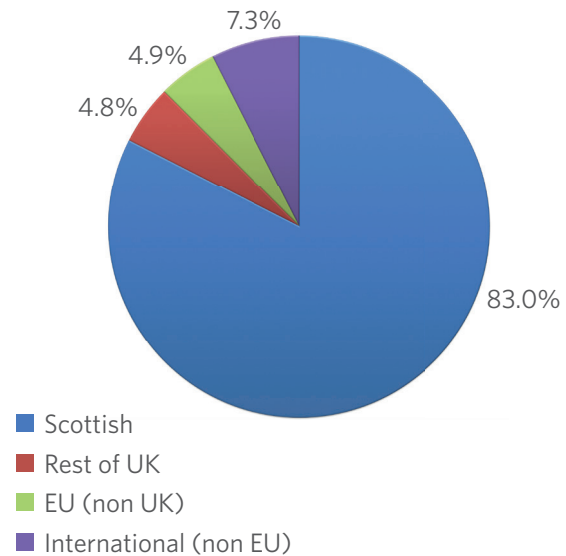
	Headcount	FTE
Scottish	13,648	11,574
Rest of UK	785	522
EU (non UK)	811	729
International (non EU)	1,207	928
Total	16,451	13,753

The total student population in headcount terms was 16,451. Compared to the previous academic year, the number of postgraduate taught students was at a similar level in 2017/18 and we experienced growth in the number of postgraduate research students. Overall, postgraduate students represent 17.5% of our student population. The number of non-EU international students in 2017/18 was at a level similar to the previous academic year, and represents 7.3% of students studying at our UK campuses. We are ambitious to grow postgraduate and International student numbers over the coming years, in line with our 2020 strategic indicators.

2017/18 Student population headcount by level of study



2017/18 Student population headcount by domicile grouping



Globally, taking account of our international partnerships, the Glasgow Caledonian College of Engineering in Oman and Glasgow Caledonian New York College, the number of students studying on GCU programmes is approximately 22,700 (headcount).

Risk and risk management

High-quality risk management is a positive process which supports and enhances business management. The University has robust risk-management procedures and structures embedded in its business processes. These include: a Risk Management Strategy and Risk Appetite and Tolerance statements, which guide the management of risk across the University; a Risk Management Forum, comprised

of senior management from across the University to ensure that risks are identified and managed effectively; and a programme of staff development workshops.

As detailed in the Corporate Governance Statement, the University maintains a comprehensive corporate risk register with risk analysis and local risk registers embedded in its Schools and Professional Support Departments. The University also maintains a Risk Events Log to record incidents where a risk has materialised within the institution, and to ensure any relevant lessons are learned and communicated.

The main risks facing the University are:

Government policy and political landscape: This is a significant risk as funding from government, through the Scottish Funding Council, is the University's main source of income. It is likely further real-term reductions in this income will be experienced as a consequence of reductions in spending across the Higher Education sector.

Brexit: The 2016 EU referendum outcome has been the subject of significant focus since the UK voted to leave the EU. While the full implications of the vote to leave remain unclear, the UK higher-education sector is impacted in many ways, including recruitment of EU students and staff, income associated with EU-funded research projects and the general economic impacts associated with such a significant political and economic change.

Financial sustainability: Cost inflation, rising pay and pension costs and the challenges facing the recruitment of international students all impact the financial sustainability of the University. Risks around pensions are linked to USS pension liabilities now on the balance sheet as well as revaluations in the Universities Superannuation Scheme (USS) scheme. Local government pension schemes have also experienced volatility in assets due to general economic factors and the EU referendum outcome. Recruitment of international students, due to the difficulties faced by such students obtaining visas for study as well as increasing market competition, remains a concern.

Organisational change and transformation programmes: Directly linked to the Strategy 2020, the University has in place a structured programme of works that shapes key aspects of the University's operational model. These programmes vary and include organisational structure and reporting lines, curriculum development and digital developments. Assurance over these change programmes is an important part of managing risk, given their importance to

delivering strategies and interdependencies with many areas of the institution.

Cyber and information security: The risks around information and cyber security have increased in recent years, illustrated by a number of cyber attacks which have impacted organisations across the world. The new General Data Protection Regulation (GDPR), which was introduced in May 2018, has raised the bar in terms of requirements, and carries a maximum fine of 4% of total revenue for non-compliance, representing a key financial and reputational risk to the University.

Estates and facilities

Following the successful completion of the Heart of Campus project, 2017/18 saw a continuation of investment within the Hamish Wood Building. The first phase of major refurbishment of toilet facilities and lifts totalling £1.1m commenced in April 2018 and was successfully completed at the end of July 2018. Further works were also carried out to improve the lighting and decoration in the building.

The University continued to invest in enhancing student facilities across the Glasgow Campus including the following projects:

- Investing in the creation of a state of the art 'Digital Classroom of the Future' - an interactive learning and teaching space
- Creating a new Media Studio within Glasgow School for Business and Society
- New digital radiography facilities within the School of Health and Life Sciences
- Creation of a Postgraduate study lounge within the Saltire Library

A space utilisation strategy was implemented following the Heart of Campus project. During 2017/18 an accommodation project with a carefully programmed plan including 27 separate moves to relocate in excess of 300 staff was successfully undertaken. The changes have improved facilities for staff and students, while anticipating future growth in key areas of teaching, research and entrepreneurship.

To ensure the Campus complies with regulatory standards, the Estates team has continued to deliver throughout the year on the five-year rolling programme of improvements and maintenance that is in place.

Following an externally accredited audit in March 2018 the University retained its Eco-Campus Platinum ISO 14001 status. Sustainability initiatives remain focused on aligning

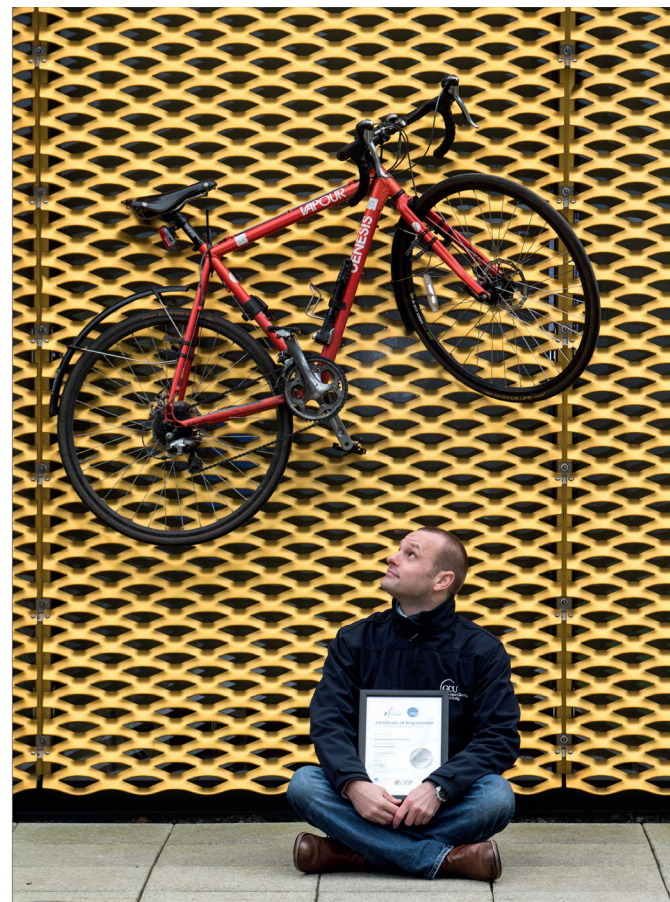
day-to-day operations with GCU's commitment as the University for the Common Good. The Eco Campus Platinum certified environmental management system (EMS) - unique amongst Scottish universities - is essential to the success of the sustainability agenda.

Sustainability

GCU's commitment to embedding sustainability into its operations is underpinned by an Environmental Management System (EMS) that provides a robust framework for identifying risk and opportunities and putting in place measures that drive the University's environmental performance.

The EMS continues to be audited annually and, in January 2018, it was re-certified EcoCampus Platinum (against ISO 14001:2015).

The EMS has provided a mechanism for better understanding the University's environmental risks and opportunities and through it a number of collaborations with student projects in the School of Engineering and Built Environment (SEBE) and



GCU continued to promote sustainable travel.

the Glasgow School for Business and Society (GSBS). SEBE students have helped us understand the potential for recycling more (through waste composition analysis) and the resilience of our Campus to climate change. GSBS students have helped us understand how staff access environmental information, which will help the University further improve its recycling rate.

During 2017/18 the University continued to promote sustainable travel to both students and staff: student travel advisors offered route planning advice to nearly 1,200 individuals during the start of the academic year; and the Transport Team made available three pool bicycles and an electric car for staff to use on business trips. The University also hosted a 10-week internship opportunity with Project SEARCH (a one-year transition programme that provides employability training and education for individuals with additional needs) focusing on interpreting environmental data.

Towards the end of the financial year, the University received confirmation that its Waste Minimisation and Recycling Plan was a finalist in the 2018 Green Gown Awards and that its bid to host a Campus Cycling Officer funded by Cycling Scotland had been successful.

Equality and diversity

The continued implementation of our Equality Outcomes 2017-2021 supports our vision of a culture at GCU that is inclusive of all sections of society and responsive to the needs of individuals, and ultimately our commitments as the University for the Common Good. The outcomes are focused on ensuring that our people have the right knowledge and skills to support this vision, so that we are accessible and welcoming, and that we provide people who have protected characteristics with the same opportunities as others to achieve positive work and study outcomes.

Our Equality Outcomes 2017-2021 help to fulfil our duties under the Equality Act 2010 by embedding equality and diversity across all University functions, projects and activities. The outcomes also support our GCU Values, and our Dignity at Work and Study Policy, which outlines the rights and responsibilities associated with this commitment and our zero tolerance approach to any form of unlawful discrimination, including harassment, victimisation, racism, sexism, homophobia or any other unacceptable behaviour towards any member of our community. We implement this through student and staff training and engagement, including the embedding of equality, diversity, dignity and respect into student and staff induction, and communicating our success and good practice through internal and external channels and

campaigns. Our specific commitment to advancing gender equality is articulated through the embedding of the Athena SWAN principles as part of our Bronze accreditation (at University and at SEBE level) and implementing of the respective action plans, and the embedding of our preventing gender based violence policy and action plan.

Disability

The University gives equal consideration to all applications for employment. 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 disadvantage, and is supported so that the requirements of the job can be fulfilled.

Where existing employees acquire a disability, 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.

Financial Review

Scope of the financial statements

The financial statements have been prepared on a consolidated basis and include the results for the University and its subsidiary companies as set out within Note 27.

Results for the year

The University is reporting a consolidated deficit for the year, before other comprehensive income, of £7.8m. As in previous years, the deficit includes a significant combined non-cash charge of £4.1m in respect of the accounting for both the Strathclyde Pension Fund current service staff costs and net interest charge and for the USS pension deficit provision adjustments. Such non-cash charges are being experienced nationally as the valuation of pension liabilities is being adversely affected by the low interest rates in the UK. The deficit for the year also includes voluntary and mutual severance costs of £4.2m.

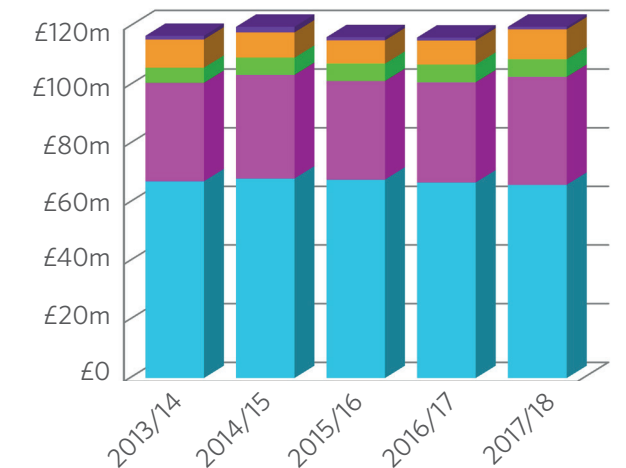
Underlying operating surplus is defined as the surplus generated from normal activities and is the measure used by management throughout the year to measure the University's performance. Removing the effects of the significant non-cash pension charges and restructuring costs, which are not influenced by the day to day operation of the University, the consolidated underlying operating surplus was £0.8m (£1.8m in 2016/17).

The underlying operating results are summarised below:

Consolidated:	2017/18	2016/17
	£000	£000
Deficit for the year	(7,766)	(3,044)
Add back:		
Other Items (including gains/losses, taxation and JV)	211	247
Restructuring costs	4,237	1,577
Non-cash FRS 102 pension costs	4,083	3,068
Underlying operating surplus	765	1,848

Income

Total Income has increased in 2017/18 to £119.8m (2016/17: £116.2m). Total income comprises funding council grants, tuition fees and education contracts, research grants, other income, investment income and donations and endowments. The composition of income is:



- Investment income, donations and endowments
- Other income
- Research grants and contracts
- Tuition fees and education contracts
- Funding Council grants

Scottish Funding Council (SFC) grants

The University received £65.9m (2016/17: £66.7m) in grant funding from the SFC, reflecting the allocations announced in the SFC funding outcome agreements for universities. While the largest element of this funding is the recurrent main teaching grant, it also includes SFC research and innovation grants and capital maintenance grants. Overall, grants have decreased by £0.8m with a decrease in funding for teaching of £0.7m and an increase in research funding of £0.3m. Other strategic funding streams have reduced by £0.4m.

Tuition fees and education contracts

Tuition fees and education contract income in the year was £36.8m (2016/17: £34.1m). Income from credit-bearing courses has risen by £2.7m with the most significant growth in income from Scotland and EU students, which has risen by £1.4m. Of this value, £0.7m is a result of an increase in the number of students choosing to undertake post-graduate education at the University. The remaining £0.7m is attributed to Graduate Apprenticeships which was a key new area of business for the University during 2017/2018. A further increase is attributable to non-EU fees which saw an increase of £0.8m. This is due to an increase in international students undertaking post-graduate education through both the University and its New York campus.

Research grants and contracts

Research income remained flat in 2017/2018 at £6.0m (2016/17: £6.0m). With an increase in the year of £0.2m relating to central and local government (UK and Overseas) funded research offset by decreases in funding from both Research Charities and Industry and Commerce (UK and Overseas) of £0.2m.

Other income

The University received £10.3m (2016/17: £8.3m) in other income. Residence, catering and conference income was £5.3m which is an increase of £1.6m, which is mainly attributed to catering, with the corresponding costs being recorded in other operating costs. Excluding residence, catering and conference income, the balance of £5m comprised a variety of income streams including but not limited to rental income, graduation income, sports income and consultancy.

Investment Income

Overall investment income has remained consistent in the year at £0.2m (2016/17: £0.2m). Income from endowment investments was £13k. Other investment income includes interest receivable of £129k, down by £11k on last year, due to reduced bank interest rates and overall reduction in funds invested.

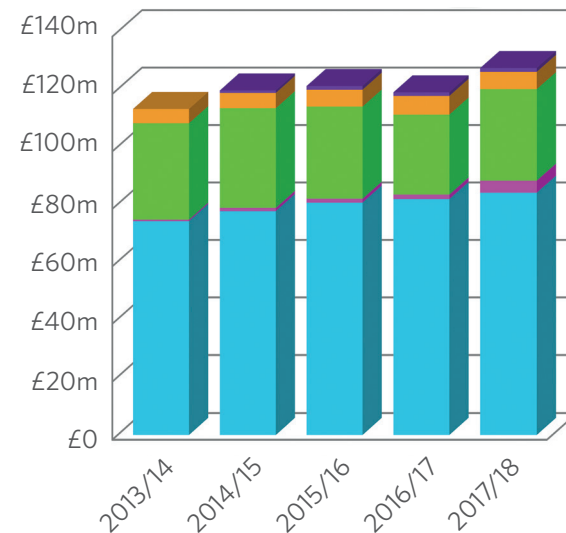
Donations and endowments

Income received from new donations received in the year was £0.7m (2016/17: £0.8m). This decrease of £0.1m is reflected across both restricted and unrestricted. In addition there were no new endowments received in 2017/18.

Expenditure

Total expenditure has increased by £8.4m to £127.4m (2016/17: £119.0m). With grant funding settlements from the SFC expected to be below-inflation over the coming years the

inflationary pressure on costs is being met by continued efforts across the University to drive productivity and focus on a series of efficiency savings. Expenditure comprises staffing, restructuring, other operating costs, the depreciation of fixed assets and interest and finance costs. The composition of expenditure is:



- Interest and other finance cost
- Depreciation
- Other operating expenses
- Restructuring costs
- Staff cost

Staff costs

Staff is one of the University's most important assets and costs in relation to this investment were £84.0m (2016/17: £81.8m) against an average employee base of 1,409 (2016/17: 1,436). Salary costs include the 1.7% pay increase approved by the University and College Employers Association (UCEA) and awarded from 1 August 2017 and the progression of staff incremental pay scales. The full years Apprenticeship Levy is reflected in the increase in social security costs and other taxes.

Pensions are a significant staff benefit at a cost of £13.6m (2016/17: £12.2m). Pension costs for the year include the non-cash Strathclyde Pension Fund current service costs of £3.4m (2016/17: £2.3m). Excluding the non-cash costs, the cost of providing pensions increased by £0.4m on 2016/17.

Staff severance costs in the financial year were £4.2m (2016/17: £1.6m). Staff severance schemes were introduced to allow headroom for investment in areas of future sustainability identified within the Strategy 2020. During the

year two schemes were open: a Voluntary Severance Scheme with costs of £0.5m and a Mutual Severance Scheme with costs of £3.7m. Unlike the existing Voluntary Severance Scheme that is linked to specific organisational change, the Mutual Severance Scheme was open to all staff and not only those affected by organisational change.

Other operating costs

Other costs, which include expenditure on subsidiary company activities, student accommodation, scholarships, premises costs and library services, have increased to £31.8m (2016/17: £27.8m). The largest driver for the increase is attributable to catering spend of £1.6m which directly offsets with the income recorded in other income. During the year the University has undertaken significant improvement works across the campus as a whole, with £1m spend on enhancing the digital and physical learning and teaching infrastructure, and £0.7m spend on redevelopment and refurbishments across the whole of the campus, including the student residences, ensuring that space is being used in the most efficient way. Furthermore the year-on-year increase includes expenditure on subsidiary company activities, campus maintenance, additional student accommodation space (which is offset with corresponding income), and additional space for the School of Health and Life Sciences.

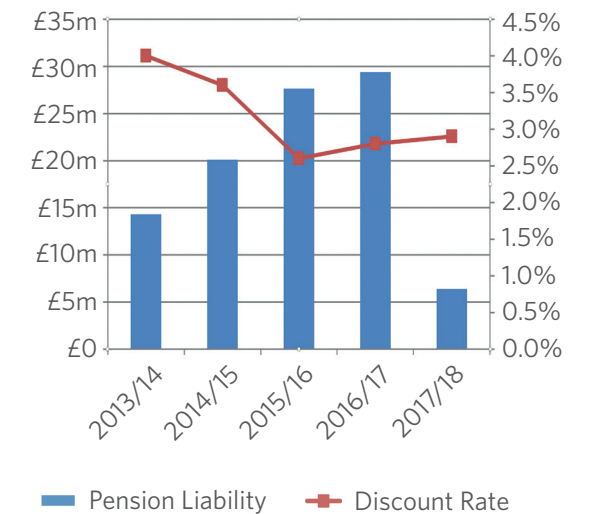
Procurement

The University is committed to obtaining best value in all of its transactions, and in conducting its daily business, considers the institution's wider responsibilities in terms of legal, moral, social, economic and environmental impact. The University continues to look for savings and value for money opportunities to make most effective use of resources through tendering activity undertaken and the University's use of collaborative agreements. Procurement led initiatives through competitive tendering activity resulted in value for money savings of approximately £0.6m. During the year a number of large value projects have been undertaken which can be attributed to the savings achieved. These include, Digital Network refresh, Student Information Management System (SIMS) and the Hamish Wood Lift Refurbishment. Other savings were achieved through access to collaborative framework agreements with Advanced Procurement for Universities and Colleges (APUC) and other UK Purchasing Consortia.

Balance Sheet

Total net assets have increased by £19.4m to £163.6m as at 31 July 2018 (2016/17: £144.2m). The increase in net assets is primarily attributable to the decrease of £23.0m in the University's share of the accounting liability in the Strathclyde Pension Fund as at 31 July 2018. The large swing is mainly due

to fund returns over the year being significantly ahead of the expected return and there has been a small increase in the real discount rate reducing the value placed on liabilities. As well as this, the actuaries have based their valuation on the SPF 2017 valuation that was completed during the year. The impact of the movement in discount rate on the pension liability is illustrated below:



Treasury

Cash at bank and deposits invested at 31 July 2018 was £19.4m (2016/17: £17.9m). This is in the main due to an increase in cash inflow from operating activities.

All treasury decisions are taken within the framework of the University's Treasury Management Policy. The underlying principle is that the University operates a low-risk approach in managing its investments and liquidity. All funds are placed with counterparties agreed by the University and monitored against minimum credit rating criteria.

During the year repayments were made towards the £10m loan facility with Lloyds Banking Group, backed by the European Investment Bank. There have been no other movements in net debt in the year.

Capital investments

The University continues to invest in the estate and improving facilities for students with £2.4m spent on capital additions in the year. The Infrastructure Group meets regularly to review, agree and prioritise the medium-term rolling Infrastructure Plans for Information Services, Estates, Schools and other appropriate Professional Support Departments. This ensures longer planning horizons are set, with the affordability of the programme being considered against the overall financial position of the University.

Financial strategy

The key financial metrics in the Financial Strategy, an enabling strategy to the University's Strategy 2020, support the University's commitment to ensuring a sustainable future in the short, medium and long term in the face of significant external volatility.

Key Financial Metrics:

	2016 Actual	2017 Actual	2018 Actual	2020 Target
Total Income £000	116,285	116,161	119,821	123,000
*Underlying operating surplus / (deficit) as % of income	(1.1%)	1.6%	0.6%	3%
Net cash inflow from operating activities as a % of income	0.4%	1.1%	3.3%	4%
*Staff costs as a % of income	68%	68%	67%	60%
SFC grants as a % of income	58%	57%	55%	53%
Gearing: external borrowing to total funds	0.06	0.06	0.05	Maximum 0.5

*Excludes severance and non-cash FRS 102 pension costs

With prior year metrics demonstrating the challenges faced by the University it is recognised that long term financial sustainability will only be achieved by the ability to invest and grow in areas of academic strength and improve performance at a faster rate than has been achieved in the past. To develop headroom to allow investment in areas of real potential a Mutual Severance Scheme was open to all staff in 2017/18. While 2017/18 includes the impact of the Mutual Severance Scheme, 2018/19 will see recurring full year cost savings of around £6.0m.

The fundamental goal of the Financial Strategy is to ensure the University's long term financial sustainability. The planning and budget setting process takes cognisance of the University's commitment to growth while coupled with the challenging external landscape: with increased pay award pressure, an uncertain pension environment, increasing inflation and Brexit all impacting the University. Given the

continuing nature of the financial pressures both in-year and forecast throughout the planning horizon, there was early recognition that a clear positive action plan was required as output of 2018/19 planning cycle that focused on maintaining and building the University's cash reserves through identifying and delivering income growth and generation of surplus through new business opportunities.

Pensions

The University participates in three separate defined benefit pension schemes, which are the Strathclyde Pension Fund (SPF), the Scottish Teachers Superannuation Scheme (STSS) and the Universities Superannuation Scheme (USS). Details of the accounting policies are set out on Pages 33-34 and further disclosures are set out in note 28.

The University accounts for the SPF in accordance with the requirements of FRS 102. Within total net assets is the pension liability in relation to the University's share of assets and liabilities in the SPF. In 2017/18 the liability has decreased from £29.4m to £6.4m.

The University continues to take the exemption permitted under FRS 102 to disclose the STSS Scheme and the USS Scheme as defined contribution schemes as both schemes are not able to calculate individual employers' share of the overall deficit. A liability is recognised however within provisions for GCU's share of the obligation to fund past deficits within the USS scheme. During the year that provision fell by £0.1m to £0.9m (note 19).

Looking forward

The University, as with many other Higher Education institutions, continues to operate in a challenging and uncertain financial environment. The Risk Management Forum, comprising senior management from across the University, assess the risks and challenges that the University faces in the external environment including SFC grant settlements, increasing pension costs, uncertainties around the UK's decision to withdraw from the European Union and the possibility of a second Scottish independence referendum. The University will continue to proactively respond to the political landscape as it develops and will keep staff informed of the challenges it faces.

GCU has made good progress towards the achievements of its strategic goals over the last year. Our financial focus continues to be on increasing surplus and cash inflow from operating activities to ensure funds are available for future investment. This will be achieved through growth in the form of increasing student numbers across all campuses, with a continued focus on productivity, managing pay costs and achieving other cost efficiencies.

Corporate Governance Statement

Introduction

The University Court of Glasgow Caledonian University ("Court") is committed to best practice in all aspects of corporate governance.

This Statement describes the manner in which the Court has applied the principles set out in the Scottish Code of Good Higher Education Governance issued in July 2017 as directed by the Scottish Funding Council's Accounts Direction. It has taken due regard of the Turnbull Committee Guidance on Internal Control and the Guide for Members of Higher Education Governing Bodies in the UK as issued by the Committee of University Chairs. Its purpose is to help the reader of the financial statements understand how these principles have been applied.

Statement of full compliance

A revised Scottish Code of Good Higher Education Governance was published in 2017 which replaced the 2013 Scottish Code of Good Higher Education Governance. Academic year 2017/18 is considered a transitional year for compliance with the 2017 Code.

In the opinion of the Court, the University has complied with all the principles and provisions of the 2017 Scottish Code of Good Higher Education Governance.

Governing body

Court

In accordance with the Scottish Code of Good Higher Education Governance (the Code), Court has a Statement of Primary Responsibilities outlining which matters are reserved for consideration by the Court and which can be delegated by the Court to its committees. The Responsibilities are shown in full on page 24. This is one of the key documents against which the effectiveness of the Court is measured. The Statement of Primary Responsibilities is subsidiary to the Glasgow Caledonian University Order of Council 2010. Court reviews its Statement of Primary Responsibilities at the first meeting of the academic session.

Court met five times in 2017/18. Court also holds a strategic planning event early in each session and is fully involved in discussions on the development of the University's Corporate Strategy.

Court and Senate have agreed procedures for reviewing their effectiveness. The review of Court's effectiveness is carried out not less than every five years as set out in the Code.

Court last undertook an externally facilitated review of its effectiveness in June 2017. A review of Senate's effectiveness was initiated in spring 2017 and was concluded in December 2017. This was overseen by a Senate Effectiveness Review Steering Group chaired by a lay member of Court. The composition of the Group reflected different categories of Senate membership.

The outcomes of the reviews were considered by Court and Senate respectively with a summary of the findings and actions to be published thereafter.

The Chair of Court is responsible for the leadership of the governing body and is ultimately responsible for its effectiveness. The Chair's responsibilities are set out in section 2.5 of the Governors' Handbook and in the job description for the role of Chair of Court, the latter being consulted upon with staff and students and which is published on the University website.

Court has agreed procedures for appraising the performance of the Chair of Court. As a new Chair of Court was appointed on 6th February 2018, a review of performance has not been carried out during 2017/18.

In addition to the five-yearly review, Court keeps its effectiveness under annual review through various measures. At the first meeting of the academic session, Court reviews and affirms its Statement of Primary Responsibilities and the Chair of Court meets regularly with the Chairs of the standing committees allowing the Chairs to raise any issues about the conduct of their committees' business. There is an annual appraisal scheme for all Court members which also serves as an annual effectiveness review. Court members are asked to complete a short questionnaire which rates the performance of Court and the contribution of the individual member. This is followed by a conversation between the Court member and the Chair of Court. The Vice Chair of Court, a role which incorporates the role of intermediary under the 2017 Code, is a point of contact for governors in the event that a Court member wishes to raise an issue regarding the Chair of Court.

The Chair ensures that Court fulfils its responsibilities as set out in the Statutory Instrument by means of its Statement of Primary Responsibilities, reserved powers, Standing Orders and the scheme of delegated authority.

The Chair of Court is responsible for ensuring that the University has due regard to the interests of all stakeholders

in carrying out its business. The University has various initiatives to ensure it is well-connected with its stakeholders and continues to develop these.

Court delegates the co-ordination, development and supervision of the academic work of the University to Senate provided that those functions are carried out subject to the general control and direction of Court. Senate met four times in 2017/2018. All Court members are expected to attend at least one meeting of Senate per year.

Fundamental to the University's leadership in promoting the Common Good and the delivery of its 2020 Vision is the commitment to embedding equality and diversity. The University has a duty under the Equality Act 2010 to publish a Public Sector Equality Duty Report every two years describing its progress on mainstreaming equality and delivering equality outcomes. Court approved and published a report in April 2017 and an annual report in 2018. In addition, the People Committee prepares an annual report for consideration and discussion by Court and Senate.

Although the University Court is ultimately responsible for the conduct of the University, much of the detailed work is delegated to Court's standing committees.

Within the Court governance framework, matters relating to staffing and employer responsibilities, health and safety, and equality and diversity had been overseen by the Staff Policy Committee, Health and Safety Committee and Equality and Diversity Committee respectively. However, as the policy framework around these areas has developed and become embedded in the operation of the University it was considered appropriate to review whether it remained necessary to have three separate committees and whether a more holistic approach with one committee encompassing all three areas would be more effective. At its meeting on 15th March 2018, Court approved the establishment of the People Committee to replace the Equality and Diversity Committee, the Health and Safety Committee and the Staff Policy Committee and approved the proposed terms of reference and membership for that Committee.

There are five committees: Audit Committee, Remuneration Committee, Court Governance and Nominations Committee, Finance and General Purposes Committee and People Committee, each of which has formally constituted terms of reference. Each committee reviews its terms of reference annually and submits these to Court for approval normally at the first meeting of the academic session along with an annual report setting out the work undertaken to fulfil the terms of reference.

The University Secretary meets regularly with the Chair of Court as part of the process governing the conduct of Court's business to ensure that this is carried out in accordance with the legislative and regulatory framework and the Standing Orders. They are responsible for making arrangements to ensure that Court and its committees are properly clerked and that minutes are produced timeously. Court minutes are published on the University website. A short report on the Court meeting is sent to all staff the day after the meeting.

Audit Committee

The Audit Committee met four times in 2017/18 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 auditors annually. The Chair of Audit liaises with the external and internal auditors and the Committee meets privately with either or both of the internal and external auditors annually 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 they 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 monitors adherence to regulatory and funding requirements.

The Committee reviews the Annual Financial Statements and recommends these to Court for approval.

The Principal and Vice-Chancellor, the Deputy Vice-Chancellor (Strategy) and the University Secretary and Vice Principal (Governance), routinely attend meetings of the Audit Committee but they are not members of the committee. Other senior staff attend as necessary.

Remuneration Committee

The Remuneration Committee met twice in 2017/18. The Committee sets the parameters for the remuneration of senior staff, determines the remuneration of members of the Executive and recommends the remuneration of the Principal and Vice-Chancellor to the University Court. Information on the remuneration of senior staff for the year ended 31 July 2018 is set out in note 7 to the financial statements.

The Remuneration Committee's work is governed by a clear remuneration philosophy designed to attract, retain and incentivise senior staff with responsibility for ensuring the delivery of the University's objectives. The Committee reviews the Remuneration Philosophy to ensure it remains fit for purpose. The Remuneration Philosophy is submitted to Court annually for approval. 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 position the University competitively. The Committee draws on comparative data and considers wider political and economic factors as appropriate. The Committee also seeks independent advice from time to time to inform its decisions.

In accordance with its operating principles and terms of reference, the Remuneration Committee is required to provide Court with an annual report incorporating full details of the basis of all decisions about the salaries and terms and conditions of service for the Principal and other members of the Executive along with information concerning external comparators and any other background used by the Committee in reaching its decisions.

The Remuneration Committee delegates responsibility to the Remuneration Panel (composed of the Executive Board with the Chair of the Remuneration Committee) for determining the remuneration of Professorial and Senior Management staff. The Remuneration Committee was advised of the outcomes of the work of the Remuneration Panel and its decisions about the remuneration of relevant staff for 2017/18.

In setting the salary bands for the Principal and members of the Executive, the Committee reviews benchmark data based on the data from the Universities and Colleges Employers' Association's annual survey of senior remuneration arrangements across the sector. The comparator groups used are:

- All institutions
- Post 92 Universities and Higher Education Colleges - (All)
- Post 92 Universities and Higher Education Colleges – £110m to £160m income

- Scotland - £70m to £202m income
- The University Alliance Group *

When appraising the Principal's performance, the Chair of Court consults lay, staff and student governors on the Principal's performance in relation to their objectives and the performance of the University and reports to the Remuneration Committee.

In November 2017, the Remuneration Committee agreed that the Principal would step down as a member of the Remuneration Committee in accordance with the CUC Higher Education Senior Staff Remuneration Code. The Principal continues to attend meetings of the Remuneration Committee but does not participate in any discussions on their own remuneration. In May 2018, the Court agreed to make the Student President a member of the Remuneration Committee and to appoint a staff governor to the remuneration Committee in accordance with the recommendations in the 2017 Code consultation with staff and students in relation to senior executive remuneration and is exploring further mechanisms for consulting with representatives of staff and students on this matter.

**Although the University is not a member of the University Alliance, its information continues to be included for 2017/18 as this benchmark data is a useful comparator given the nature of institutions within the Alliance.*

Court Governance and Nominations Committee

At its meeting on 4th February 2018, the University's Court Membership Committee agreed to change its name to the Court Governance and Nominations Committee and to adjust its terms of reference to make explicit and transparent the role the Committee played in advising Court on matters of governance, given the strong link between governance developments and changes and Court membership. This change was approved by the Court at its meeting on 15th March 2018.

The Court Governance and Nominations Committee met twice in 2017/18.

The Court Governance and Nominations Committee keeps Court's membership under review, considers nominations for vacancies in Court membership and advises Court on matters of Court governance. Court has a robust process for appointing governors, which is based on the principles of transparency and inclusiveness. The process encompasses a wide range of methods to allow Court Membership Committee the flexibility to employ whichever recruitment

methods are most appropriate to secure the skills sought and the diversity of the membership of Court.

The Committee has worked to make the recruitment process transparent, fair and rigorous and has due regard to the principles of equality and diversity.

To help the University's commitment to promoting equality and valuing diversity, and in line with the recommendations in the Scottish Code of Good HE Governance, all governor applicants and subsequently all appointees are asked to complete and return an equality and diversity monitoring form.

The gender balance of lay governors on Court during 2017/18 to 5th February 2018 was 61% male and 39% female. Following the retiral of one lay member on 6th February 2018 this changed to 65% male and 35% female. The gender balance of total Court membership to 5th February 2018 was 57% male and 43% female and from 6th February 2018 was 59% male and 41% female.

The Committee keeps the balance of diversity, skills and experience under review and maintains a skills matrix. The Committee reviews the skills matrix at least annually to identify any gaps and to ensure that the breadth and depth of skills and experience, which Court requires to discharge its responsibilities effectively, continue to be reflected in its membership. All Court members are asked to review their information on the skills matrix annually to ensure it remains current.

The Committee reviews the extent to which the size of Court remains fit for purpose and contributes to maintaining a coherent and effectively functioning governing body. The Committee does this within the prescriptions and constraints of the Higher Education Governance (Scotland) Act 2016. The University's Statutory Instrument is being amended to conform to the requirements of the Act.

The Committee has aimed to ensure that Court is no bigger than necessary to secure the range of skills and experience needed to undertake its responsibilities effectively and speedily and to manage succession planning or any unforeseen change in Court membership. In doing so, the Committee takes cognisance of the continuing requirement of the legislation for lay members to be in the majority on the governing body.

Court's size is carefully monitored to ensure it complies with legislative requirement while remaining within the limits of workability.

Finance and General Purposes Committee

The Finance and General Purposes Committee met five times in 2017/18. 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.

As part of its responsibility for the financial oversight of the University, the Committee reviews the annual financial statements and may provide comment on them for the Audit Committee and Court.

People Committee

The People Committee met once in 2017/18. It reports to Court on the development, implementation and monitoring of the people strategy and staff policies that support the University Strategy and legislative/regulatory requirements, staff consultative processes and has oversight of the management of all activities of the University as they relate to the duties and responsibilities in respect of equality and diversity for staff, students and visitors and health, safety and wellbeing of staff, students and visitors.

Prior to the establishment of the People Committee in March 2018, the former Health and Safety Committee, Staff Policy Committee and Equality and Diversity Committee (which were subsumed by the People Committee) each met once in 2017/18.

Corporate Strategy

The University has a comprehensive strategic planning process in place which is characterised by 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 Court, as a whole, receives the final Strategic Plan, including financial estimates from the University Executive Board, for approval. The University's supporting Five Year Financial Plan is reviewed and updated on an annual basis.

Through an extensive process of consultation and stakeholder involvement, workshops and other meetings, Court members were involved in developing the University's Strategy 2020. Court agreed the University's 2020 Strategic mission, values, goals and key performance indicators in 2015. The Strategy 2020 has been developed together with the creation of a strategic framework to support the delivery of institutional goals.

Risk management and internal control

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 misstatement or loss.

There is a robust Court committee and Executive group structure which operates effectively with remits, standing orders, reserved powers, minutes and action plans. There is a full scheme of delegated authority covering all University staff plus comprehensive financial procedures and an expenses policy.

The University Executive Board and the Chair of Finance and General Purposes Committee receive monthly 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. The University Executive Board and the relevant Court standing committees also receive reports on major strategic developments, staff-related issues and health and safety.

Formal project management arrangements are in place during the lifecycle of all major projects, with a nominated Executive member assigned to lead such projects.

Court's role is to set the overall policy for risk management within the University. This includes:

- Determining institutional risk appetite
- Approval of major decisions affecting the University's risk profile or exposure
- Review and approval of the corporate risk register as recommended by Audit Committee
- Review of the University's approach to risk management and approving changes or improvements to key elements of its processes and procedures

The University recognises that it has a responsibility to manage its internal and external risks as a key component of good corporate governance and is committed to embedding risk management to help achieve the University's strategic and operational objectives. A Risk Management Forum oversees the development and implementation of the University's Risk Management Strategy including the Risk Appetite and Tolerance Framework. The Strategy supports institutional decision-making and monitoring of a portfolio of activities in different business areas, by establishing risk statements and tolerance metrics for each of the main areas of risk that the University faces. The Risk Appetite and Tolerance Framework includes thresholds in terms of operational, financial and reputational impact.

The corporate risk register includes impact analysis and mitigating actions and is reviewed annually by Court, biannually by the Audit Committee and Finance and General Purposes Committee and quarterly by the University Executive Board. Risk management is embedded within the daily operations of the University from strategy formulation through to business planning and processes.

All Schools and Professional Support Departments have operating plans which identify risks and issues. In addition, there is a University Business Continuity Plan which is reviewed annually. Each School and Professional Support Department has localised plans which are kept under review. Where required, risk registers are amended to reflect any issues arising. 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 policies are reviewed annually to ensure their legislative and/or regulatory compliance.

Accordingly, 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 2018 and up to the date of approval of the Annual Financial Statements. This process is reviewed by Court and accords with the Turnbull guidance, as applicable to the higher education sector.

Going concern

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 during the year.

Mr Rob Woodward
Chair of University Court

Statement of Primary Responsibilities of the 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 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, 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
- The financial statements are prepared on the going concern basis, unless it is inappropriate to presume that the University will continue in operation.

Court's Primary Responsibilities are detailed as follows:

Staff and Students

1. To appoint the Principal and Vice-Chancellor of the University, including the term and conditions of such appointment, and to put in place suitable arrangements for the monitoring of their performance.
2. To ensure a safe working environment is provided for staff and students.
3. To make such provision as it thinks fit following consultation with the Senate, for the general welfare of its students.

Financial responsibilities

4. To ensure the solvency of the University and to safeguard its assets.
5. The preparation and approval of the University's annual financial statements.
6. To ensure the proper use of public funds awarded to the University and to ensure that the terms of the Financial Memorandum with the Funding Council are observed.
7. To approve the annual operating plans and budgets and to ensure that these reflect the University's strategic plan and strategic risk assessment.

Strategic responsibilities

8. To approve the mission statement of the University and its strategic plan and to ensure that these articulate the University's goals and meet the interests of the stakeholders.
9. To approve all substantive policies of the University.

Controls

10. To ensure that the University operates in accordance with the University's Statutory Instrument as well as all Scottish, UK and EC legislation as applicable.
11. To ensure that in all the University's policies, procedures and actions, the University complies with the requirements of the law relating to equal opportunities as a provider of education and as an employer.
12. To ensure that systems are in place for the assessment and management of risk.
13. To ensure the existence and integrity of financial control systems and to monitor these through the Audit Committee.
14. To ensure that appropriate arrangements are in place for the proper management of health and safety in respect of students, staff and other persons on University premises or affected by university operations.

Monitoring performance and effectiveness

15. To monitor the University's performance against its strategic plan and agreed key performance indicators.
16. To monitor and review the performance and effectiveness of the Court and its standing committees.
17. To ensure that the proceedings of Court are conducted in accordance with best practice in higher education corporate governance including the Scottish Code of Good HE Governance and with the principles of public life drawn up by the Committee on Standards in Public Life.

Membership of Court and Key Committees

University Court Members

Professor Pamela Gillies
Principal and Vice-Chancellor
Mrs Hazel Brooke *Chair* (to 05.02.18)
Mr Kevin Campbell
President of the Students' Association (to 03.06.18)
Dr Douglas Chalmers
Dr Morag Ferguson
Mr Daniel Gallacher
Ms Laura Gordon
Dr Bill Gunnyeon
Mr Tom Halpin (to 31.07.18)
Mr Asif Haseeb
Mr J Gordon Jack
Mr Ian Kerr
Mr Austin Lafferty (to 26.09.18)
Mrs Neena Mahal
Dr Neil Partlett (to 31.07.18)
Professor Ann Priest
Dr Davena Rankin
Mr Paul Reynolds
Ms Rachel Simpson
President of the Students' Association (from 04.06.18)
Ms Caroline Stuart (to 31.07.18)
Ms Lesley Thomson
Mr Alistair Webster
Mr Rob Woodward *Chair* (Governor from 28.09.17 and Chair from 06.02.18)
Professor Stephanie Young *Vice-Chair*

Members of Audit Committee

Dr Morag Ferguson (to 27.09.18)
Ms Laura Gordon (to 28.09.17)
Mr Tom Halpin (to 31.07.18)
Mr Asif Haseeb (from 28.09.17)
Mr Austin Lafferty (to 26.09.18)
Mrs Neena Mahal
Dr Davena Rankin (from 27.09.18)
Ms Lesley Thomson (from 23.10.18)
Mr Alistair Webster *Chair*

Members of Remuneration Committee

Mrs Hazel Brooke (to 05.02.18)
Mr Kevin Campbell (from 15.03.18 to 03.06.18)
Dr Douglas Chalmers (from 27.09.18)
Professor Pamela Gillies (to 06.11.17)
Ms Laura Gordon (from 07.11.18)
Mr Tom Halpin *Chair* (to 31.07.18)
Mr J Gordon Jack
Ms Rachel Simpson (from 04.06.18)
Mr Rob Woodward (from 06.02.18)
Professor Stephanie Young *Chair* (Chair from 01.08.18)

Members of Court Governance and Nominations Committee*

Mrs Hazel Brooke *Chair* (to 05.02.18)
Mr Kevin Campbell (to 03.06.18)
Dr Morag Ferguson
Professor Pamela Gillies
Ms Laura Gordon
Mr Tom Halpin (to 31.07.18)
Mr Ian Kerr
Ms Rachel Simpson (from 04.06.18)
Mr Rob Woodward *Chair* (from 06.02.18)
Professor Stephanie Young

Members of Finance and General Purposes Committee

Mr Kevin Campbell (to 03.06.18)
Dr Morag Ferguson (from 27.09.18)
Mr Daniel Gallacher (from 28.09.17)
Professor Pamela Gillies
Mr J Gordon Jack
Mr Ian Kerr *Chair*
Professor James Miller (from 24.11.17 to 30.09.18)
Mr Gerry Milne (to 23.11.17)
Mrs Susan Mitchell (from 01.10.18)
Dr Neil Partlett (to 31.07.18)
Professor Ann Priest (to 28.09.17)
Mr Paul Reynolds
Ms Rachel Simpson (from 04.06.18)
Ms Caroline Stuart (to 31.07.18)
Ms Lesley Thomson (from 28.09.17)

Members of People Committee*

(formed on 15th March 2018)

Mr Kevin Campbell (to 03.06.18)

Dr Douglas Chalmers

Professor Pamela Gillies

Dr Bill Gunnyeon

Mr Austin Lafferty (to 26.09.18)

Mrs Neena Mahal *Chair*

Dr Davena Rankin

Mr Paul Reynolds

Ms Rachel Simpson (from 04.06.18)

Professor Stephanie Young

Members of Health and Safety Committee*

Mr Kevin Campbell

Dr Douglas Chalmers

Dr Bill Gunnyeon (from 28.09.17)

Mr Alex Killick

Mrs Neena Mahal *Chair*

Professor James Miller (from 24.11.17)

Mr Gerry Milne (to 23.11.17)

Dr Davena Rankin

Members of Staff Policy Committee *

Dr Douglas Chalmers

Professor Pamela Gillies

Mr Alex Killick

Mr Austin Lafferty

Dr Davena Rankin

Mr Paul Reynolds

Professor Stephanie Young *Chair*

*At its meeting on 15th March 2018, Court approved the change in name of the Court Membership Committee to the Court Governance and Nominations Committee. It also approved the establishment of the People Committee to replace the Equality and Diversity Committee, the Health and Safety Committee and the Staff Policy Committee.

Governor Development

Soon after they are appointed, governors attend an induction session at GCU. This induction includes information on the general responsibilities of Court, information on the HE Landscape, GCU's strategic direction, governance and finance and they are also given the opportunity to meet members of the University Executive. To help with the familiarisation process in their first year on Court, governors are offered the opportunity to be paired with an experienced member of Court.

During 2017/18 a link scheme was developed whereby each appointed governor is associated with a different School, professional services department or other significant focus of activity across the University as a method of promoting greater understanding and interaction between Court members and the wider University.

There is a programme of ongoing development for governors which includes presentations and briefings on areas of the University's work, sector updates and a subscription to the Times Higher Educational Supplement. During 2017/18 governors were given the opportunity to attend a risk management briefing and also received a briefing on the General Data Protection Regulation introduced in May 2018.

The University is strongly committed to governor development and sees it as an important part of the infrastructure to sustain high quality governance. Governors are therefore given the opportunity to attend events run by the LFHE - Leadership Foundation for Higher Education - which provides a Governor Development Programme with a range of courses from governor induction to knowledge and skills development. Governors appointed during 2017/18, having served a year on Court and having developed an understanding of the issues facing the University and the HE sector, will be invited to attend the LFHE seminar for new governors of Scottish institutions which will give them the opportunity to discuss current issues and share practice.

Attendance at University Court and Committee Meetings for the year to 31 July 2018

Member	Date from/to	Court 5 in year	Audit 4 in year	Remuneration 2 in year	Court Governance & Nominations 1 in year	Finance & General Purposes 5 in year	Health & Safety 1 in year	Staff Policy 1 in year	People 1 in year
Professor Pamela Gillies, <i>Principal and Vice-Chancellor</i>		5		1**	1	4		0	1
Mrs Hazel Brooke (<i>Chair of Court</i>)	To 05/02/18	2*		1*					
Mr Kevin Campbell	To 01/06/18	4			0	3*	1		1
Dr Douglas Chalmers		4					1	0	1
Dr Morag Ferguson		5	3		1				
Mr Daniel Gallacher		5				3*			
Ms Laura Gordon		4	0*		1				
Dr Bill Gunnyeon		3					1		1
Mr Tom Halpin	To 31/07/18	4*	2*	2	1				
Mr Asif Haseeb		5	3						
Mr J Gordon Jack		5		0		5			
Mr Ian Kerr		5			1	4			
Mr Alex Killick							1	1	
Mr Austin Lafferty		5	4					1	1
Mrs Neena Mahal		5	3				1		1
Professor James Miller	From 24/11/17					5	0*		
Mr Gerry Milne	To 23/11/17					0	0		
Dr Neil Partlett	To 31/07/18	3*				3*			
Professor Ann Priest		3							
Dr Davena Rankin		4					1	1	1
Mr Paul Reynolds		3				4		1	0
Ms Rachel Simpson	From 04/06/18	1*				1*			0*
Ms Caroline Stuart	To 31/07/18	2				5			
Ms Lesley Thomson		4				4			
Mr Alistair Webster		5	3						

Attendance at University Court and Committee Meetings for the year to 31 July 2018 (contd)

Member	Date from/to	Court 5 in year	Audit 4 in year	Remuneration 2 in year	Court Governance & Nominations 1 in year	Finance & General Purposes 5 in year	Health & Safety 1 in year	Staff Policy 1 in year	People 1 in year
Mr Rob Woodward (Chair of Court from 06.02.18)	From 28/09/17	3*		1	1				
Professor Stephanie Young (Vice Chair of Court)		5		2	1			1	0

In some cases professional and other 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.

* Attendance reflects appointment made to/resignation from Committee mid-year.

** The Principal and Vice-Chancellor stepped down as a member of the Remuneration Committee on 6th November 2017 but continues to be in attendance at the Committee. The Principal is also in attendance at the Audit Committee.

The Deputy Vice-Chancellor (Strategy) is in attendance at Court, the Audit Committee and the Remuneration Committee.

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

Pro Vice-Chancellors and members of senior management are in attendance at Court.

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

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Glasgow Caledonian University ("the University") for the year ended 31 July 2018 which comprise the Consolidated and University Statement of Comprehensive Income and Expenditure, the Consolidated and University Statement of Changes in Reserves, the Consolidated and University Balance Sheet, the Consolidated Statement of Cash Flows and the related notes, including the Statement of Accounting Policies.

In our opinion the financial statements:

- give a true and fair view of the state of the Group's and the University's affairs as at 31 July 2018 and of the Group's and the University's income and expenditure, gains and losses and changes in reserves and of the Group's cash flows for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland, and with the 2015 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).

Basis for opinion

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.

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the group in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Going concern

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least twelve months from the date of approval of the financial statements. We have nothing to report in these respects.

Other information

The University Court of Glasgow Caledonian University is responsible for the other information, which comprises Introduction from the Principal and Vice-Chancellor, Key Financial Highlights, Strategic Report, Corporate Governance Statement and Membership of Court and Key Committees. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except as explicitly stated below, any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. We are required to report to you if:

- based solely on that work, we have identified material misstatements in the other information; or
- in our opinion, the information given in the Strategic Report is inconsistent in any material respect with the financial statements.

We have nothing to report in these respects.

Matters on which we are required to report by exception

Under the Charities Accounts (Scotland) Regulations 2006 (as amended) we are required to report to you if, in our opinion:

- the University has not kept proper accounting records; or
- the financial statements are not in agreement with the accounting records; or
- we have not received all the information and explanations we require for our audit.

We have nothing to report in these respects.

Independent Auditor's Report to the University Court of Glasgow Caledonian University (contd)

University Court of Glasgow Caledonian University responsibilities

As explained more fully in their statement set out on page 24, the University Court of Glasgow Caledonian University is responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as it determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the group and parent University's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless it either intends to liquidate the group or the parent University or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

Report on other Legal and Regulatory Matters

We are required under the terms of our engagement to report on the following matters.

In our opinion, in all material respects:

- funds from whatever source administered by the Group or the University 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;
- funds provided by the Scottish Funding Council have been applied in accordance with the Financial Memorandum with Higher Education Institutions.

The Purpose of Our Audit Work and to Whom We Owe Our Responsibilities

This report is made solely to the University Court of Glasgow Caledonian University in accordance with paragraph 6 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 Charity 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 them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the University and the University Court of Glasgow Caledonian University for our audit work, for this report, or for the opinions we have formed.

Andrew Shaw

For and on behalf of KPMG LLP, Statutory Auditor

Chartered Accountants
319 St Vincent Street
Glasgow
G2 5AS

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

Statement of Accounting Policies

Basis of preparation

The financial statements have been prepared in accordance with the Charities and Trustee Investment (Scotland) Act 2005, Regulation 14 of the Charities Accounts (Scotland) Regulations 2006 (as amended), the Statement of Recommended Practice (SORP): Accounting for Further and Higher Education 2015 and in accordance with applicable accounting standards. They also conform to guidance published by the Scottish Funding Council. The University is a public benefit entity and therefore has applied the relevant public benefit requirement of the applicable accounting standards. The financial statements are prepared in accordance with the historical cost convention (modified by the revaluation of fixed assets).

The financial statements have been prepared on a going concern basis as the governing body considers that the University has adequate resources to continue in operational existence for the foreseeable future, therefore well placed to manage its business risks despite the on-going changes in sector funding.

Basis of consolidation

The consolidated financial statements include the University and all its subsidiaries for the financial period. Intra-group transactions are eliminated on consolidation.

The consolidated financial statements do not include the income and expenditure of the Glasgow Caledonian University Students' Association as it is a separately constituted organisation in which the University has no financial interest nor does the University exert control or dominant influence over its policy decisions.

The University accounts for its share of joint ventures using the equity method. The University accounts for its share of transactions from joint operations in the Consolidated Statement of Comprehensive Income and Expenditure.

Income recognition

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

Fee income

Fee income is stated gross of any expenditure which is not a discount and credited to the Consolidated Statement of

Comprehensive Income and Expenditure over the period in which students are studying. Where the amount of the tuition fee is reduced, by a discount for prompt payment or fee waiver, income receivable is shown net of the discount. Bursaries and scholarships are accounted for gross as expenditure and not deducted from income.

Grant funding

Government revenue grants including funding council block grants and research grants are recognised as income over the periods in which the University recognises the related costs for which the grant is intended to compensate. Where part of a government grant is deferred it is recognised as deferred income within creditors and allocated between creditors due within one year and due after more than one year as appropriate.

Grants (including research grants) from non-government sources are recognised as income when the University is entitled to the income and performance related conditions have been met. Income received in advance of performance related conditions being met is recognised as deferred income within creditors on the Balance Sheet and released to income as the conditions are met.

Capital grants

Government capital grants are recognised as income over the expected useful life of the asset. Other capital grants are recognised as income when the University is entitled to the funds subject to any performance conditions being met.

Donations and endowments

Non exchange transactions without performance related conditions are donations and endowments. Donations and endowments with donor imposed restrictions are recognised as income when the University is entitled to the funds. Income is retained within the restricted reserve until such time that it is utilised in line with such restrictions at which point the income is released to general reserves through a reserve transfer.

Donations with no restrictions are recorded as income when the University is entitled to the funds.

Investment income and appreciation of endowments is recorded as income in the year in which it arises and as either restricted or unrestricted income according to the terms of the restriction applied to the individual endowment fund.

There are four main types of donations and endowments identified within reserves:

1. Restricted donations - the donor has specified that the donation must be used for a particular objective.
2. Unrestricted permanent endowments - the donor has specified that the fund is to be permanently invested to generate an income stream for the general benefit of the University.
3. Restricted expendable endowments - the donor has specified a particular objective other than the purchase or construction of tangible fixed assets, and the University has the power to use the capital.
4. Restricted permanent endowments - the donor has specified that the fund is to be permanently invested to generate an income stream to be applied to a particular objective.

Funds the University receives and disburses as paying agent on behalf of a funding body are excluded from the income and expenditure of the University where the University is exposed to minimal risk or enjoys minimal economic benefit related to the transaction.

Employment benefits

Short term employment benefits such as salaries and compensated absences are recognised as an expense in the year in which the employees render service to the University. Any unused benefits are accrued and measured as the additional amount the University expects to pay as a result of the unused entitlement.

Leases

Leases in which the University assumes substantially all the risks and rewards of ownership of the leased asset are classified as finance leases. Leased assets acquired by way of a finance lease and the corresponding lease liabilities are initially recognised at an amount equal to the lower of their fair value and the present value of the minimum lease payments at inception of the lease. Minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Costs in respect of operating leases are charged on a straight-line basis over the lease term. Any lease premiums or incentives are spread over the minimum lease term.

Foreign currency

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are retranslated to the functional currency at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in the income statement.

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on consolidation, are translated to the Group's presentational currency (Sterling), at foreign exchange rates ruling at the balance sheet date. The revenues and expenses of foreign operations are translated at an average rate for the year where this rate approximates to the foreign exchange rates ruling at the dates of the transactions. Exchange differences arising from this translation of foreign operations are reported as an item of other comprehensive income.

Exchange differences arising from a monetary item receivable from or payable to a foreign operation, the settlement of which is neither planned nor likely in the foreseeable future are considered to form part of a net investment in a foreign operation and are recognised directly in equity.

Fixed assets

Fixed assets are stated at cost/deemed cost less accumulated depreciation. Certain items of fixed assets that had been revalued to fair value on or prior to the date of transition to the 2015 SORP, are measured on the basis of deemed cost, being the revalued amount at the date of that revaluation.

Where parts of a fixed asset have different useful lives, they are accounted for as separate items of fixed assets.

Land and buildings

Costs incurred in relation to land and buildings after initial purchase or construction are capitalised to the extent that they increase the expected future benefits to the University.

Freehold land is not depreciated as it is considered to have an indefinite useful life. Freehold buildings are depreciated on a straight line basis over their expected useful lives of 40 to 50 years, and in the case of new buildings a useful life of 50 years has been adopted.

No depreciation is charged on assets in the course of construction.

Equipment, plant and furniture

Equipment (including computers and software), plant and furniture costing less than de-minimus £20,000 per individual item or group of related items, are recognised as expenditure. All other items are capitalised.

Capitalised equipment, plant and furniture are stated at cost and depreciated over their expected useful life as follows:

Computer equipment	3 years
Plant & general equipment	5-20 years
Furniture	5-10 years
Fixtures and fittings	5-10 years

Depreciation methods, useful lives and residual values are reviewed at the date of preparation of each Balance Sheet.

Borrowing costs

Borrowing costs are recognised as expenditure in the period in which they are incurred.

Investments

Non-current asset investments are held on the Balance Sheet at market value with movements recognised in the surplus or deficit.

Investments in jointly controlled entities and subsidiaries are carried at cost less impairment in the University accounts.

Current asset investments are held at fair value with movements recognised in the surplus or deficit.

Stock

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

Cash and cash equivalents

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.

Cash equivalents are short term, highly liquid investments that are readily convertible to known amounts of cash with insignificant risk of change in value.

Provisions, contingent liabilities and contingent assets

Provisions are recognised in the financial statements when:

- (a) The University has a present obligation (legal or constructive) as a result of a past event;

(b) It is probable that an outflow of economic benefits will be required to settle the obligations; and

(c) A reliable estimate can be made of the amount of the obligation.

A contingent liability arises from a past event that gives the University a possible obligation whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the University. Contingent liabilities also arise in circumstances where a provision would otherwise be made but either it is not probable that an outflow of resources will be required or the amount of the obligation cannot be measured reliably.

A contingent asset arises where an event has taken place that gives the University a possible asset whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the University.

Contingent assets and liabilities are not recognised in the Balance Sheet but are disclosed in the notes.

Retirement benefits

The University participates in three defined benefit pension schemes; the Strathclyde Pension Fund (SPF), the Scottish Teachers Superannuation Scheme (STSS) and the Universities Superannuation Scheme (USS). All schemes are multi-employer pension schemes.

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.

Strathclyde Pension Fund

SPF is accounted for as a defined benefit scheme. The University's obligation is to provide the agreed benefits to current and former employees, and actuarial risk (that benefits will cost more or less than expected) and investment risk (that returns on assets set aside to fund the benefits will differ from expectations) are borne, in substance, by the University. The University recognises a liability for its obligations under the scheme, net of scheme assets. This net defined benefit liability is measured as the estimated amount of benefit that employees have earned in return for their service in the current and prior periods, discounted to determine its present value, less the fair value (at bid price) of plan assets. The calculation is performed by a qualified actuary using the projected unit credit method. Where the calculation results in a net asset, recognition of the asset is limited to the extent to which the University is able to recover

the surplus either through reduced contributions in the future or through refunds from the scheme.

Scottish Teachers Superannuation Scheme

The assets of the scheme are held in a separate trustee-administered fund. Because of the mutual nature of the scheme, the schemes' assets are not attributed to individual institutions and scheme-wide contribution rates are set. The University is, therefore, exposed to actuarial risks associated with other institutions' employees and is unable to identify its share of the underlying assets and liabilities of the schemes on a consistent and reasonable basis and, therefore, as required by Section 28 of FRS 102 'Employee benefits', the University accounts for the scheme as if it were a wholly 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.

Universities Superannuation Scheme

With effect from 1 October 2016, USS changed from a defined benefit only pension scheme to a hybrid pension scheme, providing defined benefits (for all members), as well as defined contribution benefits. The assets of the scheme are held in a separate trustee-administered fund. Because of the mutual nature of the scheme, the schemes' assets are not attributed to individual institutions and scheme-wide contribution rates are set. The University is, therefore, exposed to actuarial risks associated with other institutions' employees and is unable to identify its share of the underlying assets and liabilities of the schemes on a consistent and reasonable basis and, therefore, as required by Section 28 of FRS 102 'Employee benefits', the University accounts for the scheme as if it were a wholly 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. Since the institution has entered into an agreement (the Recovery Plan) that determines how each employer within the scheme will fund the overall deficit, the institution recognises a liability for the contributions payable that arise from the agreement (to the extent they relate to the deficit) and therefore an expense is recognised.

Taxation

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). It is therefore a charity within the meaning of Para 1 of schedule 6 to the Finance Act 2010 and accordingly, the University is potentially exempt from taxation in respect of income or capital gains received within categories covered by section 478-488 of the Corporation Tax Act 2010 (CTA 2010) or section 256 of the Taxation of Chargeable Gain Act 1992, to the extent that such income or gains are applied exclusively to charitable purposes.

The University receives no similar exemption in respect of Value Added Tax. Irrecoverable VAT is included in the costs of such inputs. Any irrecoverable VAT allocated to fixed assets is included in their cost.

The University's UK subsidiaries are liable to Corporation tax in the same way as any other commercial organisation.

Financial instruments

Financial instruments are recognised in the Balance sheet when the University becomes party to the contractual provisions of the instrument. All of the University's financial instruments are classified as 'basic' in accordance with Chapter 11 of FRS 102.

Trade and other debtors and creditors are recognised initially at transaction price less attributable transaction costs. Subsequent to initial recognition they are measured at amortised cost, less any impairment losses in the case of trade debtors. Other financial assets include non-current asset and current asset investments and cash and cash equivalents, the accounting treatment for which is covered in the Investments and Cash and cash equivalents accounting policies.

Debt instruments that have no stated interest rate (and do not constitute financing transaction) and are classified as payable or receivable are initially measured at an undiscounted amount of the cash or other consideration expected to be paid or received, net of impairment.

Commitments to make and receive loans which meet the conditions mentioned above are measured at cost (which may be nil) less impairment.

Financial assets and liabilities are only offset in the balance sheet when, and only when, there exists a legally enforceable right to set off the recognised amounts and the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Financial assets are derecognised when the contractual rights to the cash flows from the asset expire, or when the University has transferred substantially all the risks and rewards of ownership. Financial liabilities are derecognised only once the liability has been extinguished through discharge, cancellation or expiry.

Reserves

Reserves are classified as restricted or unrestricted. Restricted endowment reserves include balances which, through endowment to the University, are held as a permanently restricted fund which the University must hold in perpetuity.

Other restricted reserves include balances where the donor has designated a specific purpose and therefore the University is restricted in the use of these funds.

Financial Statements

Consolidated Statement of Comprehensive Income and Expenditure

For the year ended 31 July 2018

	Note	Consolidated 2018 £000	University 2018 £000	Consolidated 2017 £000	University 2017 £000
Income					
Funding Council grants	1	65,938	65,938	66,713	66,713
Tuition fees and education contracts	2	36,778	36,010	34,144	33,797
Research grants and contracts	3	5,972	5,485	6,034	5,724
Other income	4	10,262	10,255	8,257	8,048
Investment income	5	177	137	165	151
Donations and endowments	6	694	691	848	848
Total income		119,821	118,516	116,161	115,281
Expenditure					
Staff costs	7	83,981	82,663	81,795	80,797
Severance costs	7	4,237	4,237	1,577	1,555
Other operating expenses		31,842	29,187	27,850	25,415
Depreciation	11	6,017	5,745	6,504	6,233
Interest and other finance costs	8	1,299	1,299	1,232	1,232
Total expenditure	9	127,376	123,131	118,958	115,232
(Deficit)/surplus before other gains and share of deficit in joint venture		(7,555)	(4,615)	(2,797)	49
Gain on disposal of non-current assets investments		-	-	4	4
Gain on endowment investments	20	11	11	31	31
Share of operating deficit in joint venture	13	(176)	-	(256)	-
(Deficit)/surplus before tax		(7,720)	(4,604)	(3,018)	84
Taxation	10	(46)	(46)	(26)	(26)
(Deficit)/surplus for the year		(7,766)	(4,650)	(3,044)	58
Unrealised (loss)/gain on investments		(3)	(3)	5	5
Actuarial gain in respect of pension schemes	28	27,196	27,196	1,307	1,307
Currency translation differences on foreign currency net investment		(70)	-	(46)	-
Total comprehensive income		19,357	22,543	(1,778)	1,370
Represented by:					
Endowment comprehensive income for year		(112)	(112)	(7)	(7)
Restricted comprehensive income for year		(17)	(17)	51	51
Unrestricted comprehensive income for year		21,514	24,630	472	3,574
Revaluation reserve comprehensive income for the year		(1,958)	(1,958)	(2,248)	(2,248)
Foreign currency translation reserve comprehensive income for the year		(70)	-	(46)	-
		19,357	22,543	(1,778)	1,370

Consolidated Statement of Comprehensive Income and Expenditure (continued)

For the year ended 31 July 2018

	Consolidated 2018 £000	University 2018 £000	Consolidated 2017 £000	University 2017 £000
(Deficit)/surplus for the year attributable to:				
University	<u>(7,766)</u>	<u>(4,650)</u>	<u>(3,044)</u>	<u>58</u>
Total comprehensive income for the year attributable to:				
University	<u>19,357</u>	<u>22,543</u>	<u>(1,778)</u>	<u>1,370</u>

All items of income and expenditure arise from continuing operations.

Consolidated and University Statement of Changes in Reserves

For the year ended 31 July 2018

Consolidated	Income and expenditure reserve			Foreign currency translation reserve £000	Revaluation reserve £000	Total £000
	Endowment £000	Restricted £000	Unrestricted £000			
Balance at 1 August 2016	678	640	63,701	220	80,773	146,012
Surplus/(deficit) from the income and expenditure account	45	372	(3,461)	-	-	(3,044)
Other comprehensive income	-	-	1,307	(46)	5	1,266
Transfer of amount equivalent to additional depreciation of fixed assets	-	-	1,955	-	(1,955)	-
Cumulative revaluation written back on non-current asset investments	-	-	298	-	(298)	-
Release of restricted funds spent in year	(52)	(321)	373	-	-	-
Total comprehensive income for the year	(7)	51	472	(46)	(2,248)	(1,778)
Balance at 1 August 2017	671	691	64,173	174	78,525	144,234
Surplus/(deficit) from the income and expenditure account	24	331	(8,121)	-	-	(7,766)
Other comprehensive income	-	-	27,196	(70)	(3)	27,123
Transfer of amount equivalent to additional depreciation of fixed assets	-	-	1,955	-	(1,955)	-
Release of restricted funds spent in year	(136)	(348)	484	-	-	-
Total comprehensive income for the year	(112)	(17)	21,514	(70)	(1,958)	19,357
Balance at 31 July 2018	559	674	85,687	104	76,567	163,591

Consolidated and University Statement of Changes in Reserves (continued)

For the year ended 31 July 2018

University	Income and expenditure reserve			Foreign currency translation reserve £000	Revaluation reserve £000	Total £000
	Endowment £000	Restricted £000	Unrestricted £000			
Balance at 1 August 2016	678	640	72,626	-	80,773	154,717
Surplus/(deficit) from the income and expenditure account	45	372	(359)	-	-	58
Other comprehensive income	-	-	1,307	-	5	1,312
Transfer of amount equivalent to additional depreciation of fixed assets	-	-	1,955	-	(1,955)	-
Cumulative revaluation written back on non-current asset investments	-	-	298	-	(298)	-
Release of restricted funds spent in year	(52)	(321)	373	-	-	-
Total comprehensive income for the year	(7)	51	3,574	-	(2,248)	1,370
Balance at 1 August 2017	671	691	76,200	-	78,525	156,087
Surplus/(deficit) from the income and expenditure account	24	331	(5,005)	-	-	(4,650)
Other comprehensive income	-	-	27,196	-	(3)	27,193
Transfer of amount equivalent to additional depreciation of fixed assets	-	-	1,955	-	(1,955)	-
Release of restricted funds spent in year	(136)	(348)	484	-	-	-
Total comprehensive income for the year	(112)	(17)	24,630	-	(1,958)	22,543
Balance at 31 July 2018	559	674	100,830	-	76,567	178,630

Consolidated and University Balance Sheet

As at 31 July 2018

	Note	Consolidated 2018 £000	University 2018 £000	Consolidated 2017 £000	University 2017 £000
Non-current assets					
Fixed assets	11	190,834	189,307	194,479	192,689
Investments	12	3,662	4,372	3,746	4,256
		<u>194,496</u>	<u>193,679</u>	<u>198,225</u>	<u>196,945</u>
Current assets					
Stocks		204	204	217	217
Trade and other receivables	14	10,630	24,960	8,325	20,351
Investments	15	5,054	5,000	9,053	9,000
Cash and cash equivalents	22	14,348	13,573	8,854	8,175
		<u>30,236</u>	<u>43,737</u>	<u>26,449</u>	<u>37,743</u>
Less: Creditors: amounts falling due within one year	16	(30,763)	(28,256)	(25,628)	(23,637)
Net current (liabilities)/assets		<u>(527)</u>	<u>15,481</u>	<u>821</u>	<u>14,106</u>
Total assets less current liabilities		<u>193,969</u>	<u>209,160</u>	<u>199,046</u>	<u>211,051</u>
Creditors: amounts falling due after more than one year	17	(16,323)	(16,323)	(17,479)	(17,479)
Provisions					
Pension provisions	19	(13,147)	(13,147)	(36,737)	(36,737)
Other provisions	19	(908)	(1,060)	(596)	(748)
Total net assets		<u>163,591</u>	<u>178,630</u>	<u>144,234</u>	<u>156,087</u>
Restricted reserves					
Income and expenditure reserve - endowment reserve	20	559	559	671	671
Income and expenditure reserve - restricted reserve	21	674	674	691	691
Unrestricted reserves					
Income and expenditure reserve - unrestricted reserve		85,687	100,830	64,173	76,200
Foreign currency investment translation reserve		104	-	174	-
Revaluation reserve		76,567	76,567	78,525	78,525
Total reserves		<u>163,591</u>	<u>178,630</u>	<u>144,234</u>	<u>156,087</u>

The financial statements on pages 36 to 66 were approved by the University Court on 22 November 2018 and signed on its behalf by:

Mr Rob Woodward
Chair of University Court

Professor Pamela Gillies CBE, FRSE
Principal and Vice-Chancellor

Consolidated Statement of Cash Flows

For the year ended 31 July 2018

Note	2018 £000	2017 £000
Cash flow from operating activities		
Deficit for the year	(7,766)	(3,044)
Adjustment for non-cash items		
Depreciation	11 6,017	6,504
Pension costs less contribution payable	3,355	2,298
Gain on investments	(11)	(31)
Decrease/(increase) in stock	13	(72)
(Increase)/decrease in debtors	(2,054)	178
Increase/(decrease) in creditors	5,488	(3,951)
Decrease in pension provision	(646)	(217)
Increase/(decrease) in other provisions	136	(1)
Share of operating deficit in joint venture	13 176	256
Adjustment for investing or financing activities		
Deferred capital grants released to income	18 (548)	(622)
Investment income	5 (177)	(165)
Interest and other finance costs	8 1,299	1,232
Profit from sale of non-current asset investments	-	(4)
Loss on disposal of asset under construction	-	238
Capital grant income	(1,302)	(1,281)
Net cash inflow from operating activities	<u>3,980</u>	<u>1,318</u>
Cash flows from investing activities		
Disposal of non-current asset investments	-	823
Withdrawal of deposits	4,000	1,500
Investment income	169	185
Payments made to acquire fixed assets	(2,588)	(4,014)
New non-current asset investments	-	(942)
Capital grant income	1,229	2,673
Total cash flows from investing activities	<u>2,810</u>	<u>225</u>
Cash flows from financing activities		
Interest paid	(409)	(439)
Repayments of amounts borrowed	(632)	(602)
Loans advanced	(250)	-
Total cash flows from financing activities	<u>(1,291)</u>	<u>(1,041)</u>
Increase in cash and cash equivalents in the year	5,499	502
Cash and cash equivalents at beginning of the year	8,854	8,344
Effects of foreign currency translation on cash and cash equivalents	(5)	8
Cash and cash equivalents at end of the year	14,348	8,854

Notes to the Financial Statements

For the year ended 31 July 2018

1	Funding Council grants	Consolidated	University	Consolidated	University
		2018	2018	2017	2017
		£000	£000	£000	£000
Recurrent grants					
	General Fund - Teaching	60,168	60,168	60,901	60,901
	General Fund - Research and Knowledge Exchange	3,465	3,465	3,112	3,112
Specific grants					
	Strategic Funding	486	486	828	828
	Release of deferred capital grants (note 18)	517	517	591	591
	Capital Maintenance grants	1,302	1,302	1,281	1,281
		<u>65,938</u>	<u>65,938</u>	<u>66,713</u>	<u>66,713</u>
2 Tuition fees and education contracts					
	Scottish and EU fees	22,357	22,357	20,947	20,947
	Rest of UK fees	1,601	1,601	1,266	1,266
	Non-EU fees	8,875	8,570	8,081	8,081
	Research training support grants	156	156	266	266
	Non-credit bearing course fees	1,626	1,497	1,647	1,550
	Education contracts	2,163	1,829	1,937	1,687
		<u>36,778</u>	<u>36,010</u>	<u>34,144</u>	<u>33,797</u>
3 Research grants and contracts					
	Research councils	390	390	388	388
	Research charities	375	375	515	515
	Government (UK and overseas)	4,562	4,372	4,368	4,295
	Industry and commerce	586	289	642	405
	Release of deferred capital grants (note 18)	31	31	31	31
	Other	28	28	90	90
		<u>5,972</u>	<u>5,485</u>	<u>6,034</u>	<u>5,724</u>

This sum includes Industrial and Government-funded research grants and contracts. It excludes SFC funding for research shown in note 1.

Notes to the Financial Statements (continued)

For the year ended 31 July 2018

4	Other income	Consolidated	University	Consolidated	University
		2018	2018	2017	2017
		£000	£000	£000	£000
	Residences, catering and conferences	5,267	5,267	3,643	3,643
	Other income	4,995	4,988	4,614	4,405
		<u>10,262</u>	<u>10,255</u>	<u>8,257</u>	<u>8,048</u>
5 Investment income					
	Investment income on endowments	13	13	15	15
	Other investment income	164	124	150	136
		<u>177</u>	<u>137</u>	<u>165</u>	<u>151</u>
6 Donations and endowments					
	Donations with restrictions	331	331	372	372
	Unrestricted donations	363	360	476	476
		<u>694</u>	<u>691</u>	<u>848</u>	<u>848</u>
7 Staff costs					
	Salaries	63,525	62,372	62,998	62,096
	Social security costs	7,008	6,911	6,652	6,598
	Movement on USS provision	(169)	(169)	(28)	(28)
	Other pension costs	13,617	13,549	12,173	12,131
		<u>83,981</u>	<u>82,663</u>	<u>81,795</u>	<u>80,797</u>
Emoluments of the Principal and Vice-Chancellor				2018	2017
				£000	£000
	Salary			230	226
	Payments in lieu of pension contributions			36	36
	Performance related payment			-	-
	Benefits in kind			1	1
				<u>267</u>	<u>263</u>

The remuneration of the Principal in the academic year 2017/18 was 5.4 times the median remuneration of the workforce which was £42,418. In 2016/17 the median remuneration of the workforce was £41,709 and the Principal's remuneration was also 5.4 times the median.

Notes to the Financial Statements (continued)

For the year ended 31 July 2018

7 Staff costs (continued)

Remuneration of other higher paid staff, excluding employers' pensions contributions where applicable	2018 Number	2017 Number
£100,000 - £109,999	5	5
£110,000 - £119,999	1	-
£120,000 - £129,999	1	3
£130,000 - £139,999	1	-
£140,000 - £149,999	2	3
£150,000 - £159,999	4	2
£160,000 - £169,999	-	2
£170,000 - £179,999	2	1
£180,000 - £189,999	-	-
£240,000 - £249,999	1	-
£250,000 - £259,999	-	1

Included in the above table are amounts payable in foreign currencies that are retranslated to Sterling at rates applicable at the time of payment.

Compensation for loss of office payable to senior post holders	2018 £000	2017 £000
Compensation payable	<u>289</u>	<u>-</u>

The compensation payable in 2018 was to three people (2017: nil).

Average staff numbers by major category	2018 Number	2017 Number
Academic	696	699
Administrative	554	569
Technical	57	58
Others	102	110
	<u>1,409</u>	<u>1,436</u>

Notes to the Financial Statements (continued)

For the year ended 31 July 2018

7 Staff costs (continued)

Severance costs

A number of staff left the University through severance agreements as follows:

	2018 £000	2017 £000
Academic	2,360	813
Administrative	1,404	702
Technical and Others	438	42
Associated costs (non-payroll)	35	20
	<u>4,237</u>	<u>1,577</u>

Key management personnel

Key management personnel are those persons in addition to the Principal and Vice-Chancellor having authority and responsibility for planning, directing and controlling the activities of the University. The University considers its Executive Board, consisting of a maximum of seven people during the year, as key management personnel. Staff costs include compensation paid to key management personnel. Compensation consists of salary and benefits including employer's pension contributions, where applicable and excludes payments for loss of office.

	2018 £000	2017 £000
Key management personnel compensation (excluding Principal and Vice-Chancellor as disclosed separately)	<u>1,184</u>	<u>1,207</u>

Court Members

No Court member has received any remuneration relating to their membership of Court from the University during the year (2017: none).

The total expense paid to or on behalf of Court members was £6k (2017: £8k). This represents training & development, travel and subsistence costs incurred in attending Court, Committee meetings and events in their official capacity.

Notes to the Financial Statements (continued)

For the year ended 31 July 2018

8 Interest and other finance costs	Consolidated	University	Consolidated	University
	2018	2018	2017	2017
	£000	£000	£000	£000
Loan interest	402	402	434	434
Net charge on pension scheme (note 28)	869	869	748	748
Finance expense USS	28	28	50	50
	<u>1,299</u>	<u>1,299</u>	<u>1,232</u>	<u>1,232</u>

9 Analysis of total expenditure by activity	Consolidated	University	Consolidated	University
	2018	2018	2017	2017
	£000	£000	£000	£000
Academic and related services	75,436	74,882	74,482	74,072
Administration and central services	21,988	20,270	17,561	16,012
Premises	15,685	14,116	15,261	13,645
Residences, catering and conferences	3,629	3,629	1,613	1,613
Research grants and contracts	6,015	5,699	5,994	5,776
Other expenses	4,623	4,535	4,047	4,114
	<u>127,376</u>	<u>123,131</u>	<u>118,958</u>	<u>115,232</u>

Other operating expenses (including VAT) include:

	Consolidated	University	Consolidated	University
	2018	2018	2017	2017
	£000	£000	£000	£000
Auditor's remuneration				
External auditor's remuneration in respect of audit services	67	57	94	56
External auditor's remuneration in respect of subsidiaries (non-KPMG)	25	-	-	-
External auditor's remuneration in respect of non-audit services	98	78	78	66
Internal auditor's remuneration in respect of audit services	145	145	123	123

Notes to the Financial Statements (continued)

For the year ended 31 July 2018

10 Taxation

As an exempt charity the University is potentially exempt from taxation in respect of income or capital gains received within categories covered 478-488 of the Corporation Tax Act 2010 (CTA 2010) 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.

Current tax expense includes overseas tax in relation to the University's collaboration activities in Oman with the Caledonian College of Engineering Oman (CCEO) for which Corporation Tax is due.

	2018	2017
	£000	£000
Current tax expense	45	42
Adjustment in respect of previous years	1	(16)
Total tax charge	<u>46</u>	<u>26</u>

11 Fixed assets

Consolidated	Land & buildings	Assets under construction	Plant & equipment	Fixtures, fittings & furniture	Total
	£000	£000	£000	£000	£000
Cost or valuation					
At 1 August 2017	205,179	257	18,259	5,910	229,605
Exchange movement	10	-	3	-	13
Additions	427	1,010	854	101	2,392
Disposals	-	-	(81)	-	(81)
Transfers	(30)	(46)	-	46	(30)
At 31 July 2018	<u>205,586</u>	<u>1,221</u>	<u>19,035</u>	<u>6,057</u>	<u>231,899</u>
Depreciation					
At 1 August 2017	17,411	-	13,090	4,625	35,126
Exchange movement	2	-	2	-	4
Charge for year	4,430	-	1,369	218	6,017
Disposals	-	-	(81)	-	(81)
Transfers	(1)	-	-	-	(1)
At 31 July 2018	<u>21,842</u>	<u>-</u>	<u>14,380</u>	<u>4,843</u>	<u>41,065</u>
Net Book Value					
At 31 July 2018	<u>183,744</u>	<u>1,221</u>	<u>4,655</u>	<u>1,214</u>	<u>190,834</u>
At 31 July 2017	<u>187,768</u>	<u>257</u>	<u>5,169</u>	<u>1,285</u>	<u>194,479</u>

Notes to the Financial Statements (continued)

For the year ended 31 July 2018

11 Fixed assets (continued)

University	Land & buildings £000	Assets under construction £000	Plant & equipment £000	Fixtures, fittings & furniture £000	Total £000
Cost or valuation					
At 1 August 2017	203,237	257	17,696	5,770	226,960
Additions	427	1,010	854	101	2,392
Disposals	-	-	(81)	-	(81)
Transfers	(30)	(46)	-	46	(30)
At 31 July 2018	203,634	1,221	18,469	5,917	229,241
Depreciation					
At 1 August 2017	16,986	-	12,755	4,530	34,271
Charge for year	4,300	-	1,255	190	5,745
Disposals	-	-	(81)	-	(81)
Transfers	(1)	-	-	-	(1)
At 31 July 2018	21,285	-	13,929	4,720	39,934
Net Book Value					
At 31 July 2018	182,349	1,221	4,540	1,197	189,307
At 31 July 2017	186,251	257	4,941	1,240	192,689

At 31 July 2018, land and buildings included £9.7m (2017: £9.7m) in respect of the net book value of freehold land and is not depreciated.

Buildings with a deemed cost of £1.7m (2017: £1.7m) and accumulated depreciation of £348k (2017: £279k) 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 £45.4m 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.

Notes to the Financial Statements (continued)

For the year ended 31 July 2018

12 Non-current investments

Consolidated	Subsidiary companies £000	Investments in spinouts £000	Other fixed asset investments £000	Total £000
At 1 August 2017	-	123	3,623	3,746
Additions	-	-	27	27
Disposals	-	-	(119)	(119)
Increase in market value of investments	-	-	8	8
At 31 July 2018	-	123	3,539	3,662
University	Subsidiary companies £000	Investments in spinouts £000	Other fixed asset investments £000	Total £000
At 1 August 2017	510	123	3,623	4,256
Additions	200	-	27	227
Disposals	-	-	(119)	(119)
Increase in market value of investments	-	-	8	8
At 31 July 2018	710	123	3,539	4,372

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

Other fixed asset investments are stated at market value and include treasury index linked stocks 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 £2.2m. Also included in other fixed asset investments are equity investments held for endowments (note 20).

The University's subsidiary companies are:

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 2018 £345k Gift Aid is payable by the Company to the University (2017: £423k).

The University owns 100% of GCU INTO Limited established to operate the joint venture arrangements of INTO Scotland LLP. This investment represents 100 £1 ordinary shares and 499,900 £1 redeemable preference shares. The Company made a profit of £4k in the year to 31 July 2018 (2017: £3k).

Notes to the Financial Statements (continued)

For the year ended 31 July 2018

12 Non-current investments (continued)

The University owns 100% of GCU Academy Limited. The company was established to operate courses, designed 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 2018 £66k Gift Aid is payable by GCU Academy to the University (2017: £24k).

The University controls 100% of GCU-NYC, Inc. This non-stock corporation was incorporated in February 2013 and through the GCU New York Centre delivers executive training and short courses. The University has entered into a loan agreement to lend a maximum aggregate of \$21.8m to GCU-NYC, Inc., at an interest rate for each advance being the lesser of 2.5% or the highest rate permitted by applicable law. At 31 July 2018 \$19.8m (£15.1m) (2017: \$15.8m (£12.0m)) of this loan had been drawn down. In September 2013 GCU agreed a Standby Letter of Credit for \$2.25m in respect of the leasehold property in New York.

The University controls 100% of Glasgow Caledonian New York College (GCNYC). This non-stock corporation was incorporated in June 2017 after the Board of Regents of NYSED granted a Provisional Charter allowing it to operate as a college in the State of New York. The organisation has the authority to offer programs that will lead to the Master of Science (M.S.) degree qualification.

13 Investment in 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 2018 £350k of the loan had been drawn down (2017: £100k). HMRC have confirmed that the investment is a qualifying investment for tax purposes, as it is always to be used to advance Education.

INTO Scotland LLP, trading as INTO Glasgow Caledonian University 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 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.

Notes to the Financial Statements (continued)

For the year ended 31 July 2018

13 Investment in Joint venture (continued)

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:

	£000	2018 £000	£000	2017 £000
Income and expenditure account				
Income		<u>1,384</u>		<u>1,527</u>
Deficit before tax		<u>(176)</u>		<u>(256)</u>
Balance sheet				
Fixed assets	<u>178</u>		150	
Current assets	<u>799</u>		<u>900</u>	
		<u>977</u>		<u>1,050</u>
Creditors: amounts due within one year	<u>(1,378)</u>		(1,504)	
Creditors: amounts due after more than one year	<u>(350)</u>		<u>(100)</u>	
		<u>(1,728)</u>		<u>(1,604)</u>
		<u>(751)</u>		<u>(554)</u>

14 Trade and other receivables

	Consolidated 2018 £000	University 2018 £000	Consolidated 2017 £000	University 2017 £000
Amounts falling due within one year:				
Other trade receivables	5,981	5,329	4,427	4,231
Other receivables	405	46	148	48
Provision for bad and doubtful debts	(1,530)	(1,530)	(1,428)	(1,421)
Prepayments and accrued income	5,774	5,529	5,178	4,984
Amounts due from subsidiary companies	-	445	-	477
Amounts falling due after more than one year	-	15,141	-	12,032
	<u>10,630</u>	<u>24,960</u>	<u>8,325</u>	<u>20,351</u>

The University has entered into a loan agreement to lend a maximum aggregate of \$21.8m to GCU-NYC, Inc. At 31 July 2018 \$19.8m (£15.1m) (2017: \$15.8m (£12.0m)) of this loan had been drawn down and is payable after more than one year. Following an impairment review carried out in the year, Management consider this loan to be fully recoverable.

Notes to the Financial Statements (continued)

For the year ended 31 July 2018

15 Current investments	Consolidated	University	Consolidated	University
	2018	2018	2017	2017
	£000	£000	£000	£000
Short term deposits	<u>5,054</u>	<u>5,000</u>	<u>9,053</u>	<u>9,000</u>

Deposits, held with banks and building societies operating in the London market and authorised by the Financial Services Authority, have more than three months maturity at the date of investment. The interest rates for these deposits are fixed for the duration of the deposit at the time of placement.

At 31 July 2018 the weighted average interest rate of these fixed rate deposits was 0.65% per annum and the remaining weighted average period for which the interest rate is fixed on these deposits was 56 days. The fair value of these deposits was not materially different from the book value.

16 Creditors: amounts falling due within one year	Consolidated	University	Consolidated	University
	2018	2018	2017	2017
	£000	£000	£000	£000
Unsecured loans	663	663	632	632
Trade payables	3,459	3,405	2,813	2,687
Social security and other taxation payable	1,804	1,804	1,732	1,732
Amounts owing to subsidiary companies	-	34	-	-
Accruals and deferred income	<u>24,837</u>	<u>22,350</u>	<u>20,451</u>	<u>18,586</u>
	<u>30,763</u>	<u>28,256</u>	<u>25,628</u>	<u>23,637</u>

Included in accruals and deferred income are deferred capital grants to be released within one year of £493k (2017: £548k).

17 Creditors: amounts falling due after more than one year	Consolidated	University	Consolidated	University
	2018	2018	2017	2017
	£000	£000	£000	£000
Unsecured loans	7,388	7,388	8,051	8,051
Deferred income - deferred capital grants	<u>8,935</u>	<u>8,935</u>	<u>9,428</u>	<u>9,428</u>
	<u>16,323</u>	<u>16,323</u>	<u>17,479</u>	<u>17,479</u>

Notes to the Financial Statements (continued)

For the year ended 31 July 2018

17 Creditors: amounts falling due after more than one year (continued)	Consolidated	University	Consolidated	University
	2018	2018	2017	2017
	£000	£000	£000	£000
Analysis of unsecured loans:				
Due within one year (Note 16)	663	663	632	632
Due between one to two years	693	693	663	663
Due between two and five years	2,302	2,302	2,191	2,191
Due in five years or more	<u>4,393</u>	<u>4,393</u>	<u>5,197</u>	<u>5,197</u>
Due after more than one year	7,388	7,388	8,051	8,051
Total unsecured loans	8,051	8,051	<u>8,683</u>	<u>8,683</u>

An unsecured bank loan of £10m (2017: £10m) from the Lloyds Banking Group backed by the European Investment Bank is repayable in instalments between 16 February 2015 and 15 February 2028 and interest is charged at a fixed rate of 4.84%.

18 Deferred capital grants	Consolidated & University		
	Buildings	Equipment	Total
	£000	£000	£000
At 1 August 2017			
Funding Council	7,380	2,565	9,945
Other	-	31	31
	<u>7,380</u>	<u>2,596</u>	<u>9,976</u>
Cash receivable			
Funding Council	-	-	-
Other	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>
Released to income and expenditure account			
Funding Council	(305)	(212)	(517)
Other	-	(31)	(31)
	<u>(305)</u>	<u>(243)</u>	<u>(548)</u>
At 31 July 2018			
Funding Council	7,075	2,353	9,428
Other	-	-	-
	<u>7,075</u>	<u>2,353</u>	<u>9,428</u>

Notes to the Financial Statements (continued)

For the year ended 31 July 2018

19 Provisions for liabilities

Consolidated	USS	Defined	Early	Total	Total
	pension	benefit	retirement	pension	other
	£000	(note 28)	pension	provisions	£000
		£000	£000	£000	£000
At 1 August 2017	1,061	29,377	6,299	36,737	596
Utilised in year	(169)	(22,972)	(413)	(23,554)	(42)
Additions in year	28	-	-	28	354
Unused amounts reversed in year	-	-	(64)	(64)	-
At 31 July 2018	920	6,405	5,822	13,147	908

University	USS	Defined	Early	Total	Total
	pension	benefit	retirement	pension	other
	£000	(note 28)	pension	provisions	£000
		£000	£000	£000	£000
At 1 August 2017	1,061	29,377	6,299	36,737	748
Utilised in year	(169)	(22,972)	(413)	(23,554)	(42)
Additions in year	28	-	-	28	354
Unused amounts reversed in year	-	-	(64)	(64)	-
At 31 July 2018	920	6,405	5,822	13,147	1,060

USS pension

This represents the University's obligation to fund its share of the past deficit on the Universities Superannuation Scheme (USS). It arises from the contractual obligation with the pension scheme for the total payments relating to benefits arising from past performance. Management has assessed future employees within the USS scheme and salary payment over the period of the contracted obligation in assessing the value of this provision.

Early retirement pension

The assumptions for calculating the provision for pension enhancements on termination under FRS 102 are as follows:

	%
Discount rate	2.8
Inflation	2.3

Other

The 'Other' provision represents obligations in respect of the CRC Energy Efficiency Scheme, the University's investment in the joint venture and leasehold dilapidations representing the cost of restoring the leasehold building to its original condition.

Notes to the Financial Statements (continued)

For the year ended 31 July 2018

20 Endowment Reserves

	Restricted permanent endowments £000	Unrestricted permanent endowments £000	Expendable endowments £000	2018 £000	2017 £000
At 1 August					
Capital	260	8	278	546	612
Accumulated income	20	-	105	125	66
	<u>280</u>	<u>8</u>	<u>383</u>	<u>671</u>	<u>678</u>
Investment income	8	-	5	13	14
Expenditure	(1)	-	(135)	(136)	(52)
Increase in market value of investments	10	-	1	11	31
Total endowment comprehensive income for the year	17	-	(129)	(112)	(7)
At 31 July	297	8	254	559	671
Represented by:					
Capital	270	8	189	467	546
Accumulated income	27	-	65	92	125
	<u>297</u>	<u>8</u>	<u>254</u>	<u>559</u>	<u>671</u>
Analysis by purpose:					
Scholarships and bursaries				290	419
Prize funds				261	244
Other				8	8
				<u>559</u>	<u>671</u>
Analysis by asset:					
Non-current asset investment				422	502
Cash and cash equivalents				137	169
				<u>559</u>	<u>671</u>

Notes to the Financial Statements (continued)

For the year ended 31 July 2018

21 Restricted reserves	Donations	Donations
	2018	2017
	£000	£000
At 1 August	691	640
New donations	331	372
Expenditure	(348)	(321)
Total restricted comprehensive income for the year	(17)	51
At 31 July	674	691
Analysis by purpose:		
Scholarships and bursaries	637	674
Prize funds	-	-
Other	37	17
	674	691

22 Cash and cash equivalents

Consolidated	At 1	Cash	At 31
	August		July
	2017	flows	2018
	£000	£000	£000
Cash and cash equivalents	8,854	5,494	14,348

23 Capital and other commitments

Provision has not been made for the following capital commitments as 31 July:

	Consolidated	University	Consolidated	University
	2018	2018	2017	2017
	£000	£000	£000	£000
Commitments contracted for	5,805	5,805	150	150
Authorised but not contracted for	290	290	7,540	7,540
	6,095	6,095	7,690	7,690

24 Contingent liabilities

The University has an unquantified contingent liability at the Balance Sheet date in respect of an indemnity provided to a Contractor. The indemnity is in respect of any equal pay costs which the Contractor may suffer, sustain or incur in relation to live claims already submitted by employees who passed to the Contractor under TUPE regulations at the contract commencement date.

Notes to the Financial Statements (continued)

For the year ended 31 July 2018

25 Lease obligations

Total rentals payable under operating leases:

	Land and buildings	Plant and machinery	Other leases	2018	2017
	£000	£000	£000	£000	£000
Payable during the year	2,190	199	23	2,412	2,423
Future minimum lease payments due:					
Not later than one year	2,122	166	17	2,305	2,371
Later than one year and not later than five years	5,916	93	6	6,015	6,854
Later than five years	7,539	-	-	7,539	8,764
	15,577	259	23	15,859	17,989

26 Events after the reporting period

There were no events after the reporting period which would require disclosure within these financial statements.

27 Subsidiary undertakings

The subsidiary companies, wholly-owned or effectively controlled by the University, are as follows:

Company	Principal Activity	Status	Registered
Glasgow Caledonian University Company Limited	The provision of training, consultancy and research	100% owned	Scotland
GCU Academy Limited	The provision of courses, designed specifically for individual organisations, which provide a university level education leading to a qualification	100% owned	Scotland
GCU Nominee Company	Ownership of Heatherbank Museum assets	100% owned	Scotland
GCU INTO Limited	Holds University share in INTO Scotland LLP	100% owned	Scotland
GCU-NYC, Inc.	The provision of Master of Science degree programs, executive training and short courses	100% controlled	Delaware, US
Glasgow Caledonian New York College (GCNYC)	The provision of Master of Science degree programs, executive training and short courses	100% controlled	New York, US

Notes to the Financial Statements (continued)

For the year ended 31 July 2018

28 Pension schemes

The University participates in three defined benefit schemes, the Universities Superannuation Scheme (USS), the Strathclyde Pension Fund (SPF) and the Scottish Teachers Superannuation Scheme (STSS). All schemes are subject to independent actuarial valuations.

GCU-NYC, Inc. participates in a 401k defined contribution retirement plan.

The University contribution rates on eligible salary costs are:

	1/8/2017 to 31/7/2018
STSS	17.2%
SPF	19.3%
USS	18.0%

	2018 £000	2017 £000
The total pension costs for the year were:		
Normal contribution to:		
STSS – contributions paid	4,954	4,846
SPF – charge to income and expenditure account	8,039	6,662
USS – contributions paid	607	650
401K plan – Contributions paid	17	15
	<u>13,617</u>	<u>12,173</u>

With the exception of the Strathclyde Pension Fund, the University has utilised the provisions of FRS 102 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.

On 26 October 2018, the High Court handed down a judgment involving the Lloyds Banking Group's defined benefit pension schemes. The judgment concluded the schemes should be amended to equalise pension benefits for men and women in relation to guaranteed minimum pension benefits, "GMP". The UK Government will need to consider this outcome in conjunction with its recent consultation on GMP indexation in public sector schemes before concluding on any changes required to Local Government Pension Schemes, such as The Strathclyde Pension Fund.

Notes to the Financial Statements (continued)

For the year ended 31 July 2018

28 Pension schemes (continued)

The Strathclyde Pension Fund

The Strathclyde Pension Fund provides benefits 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 2017 valuation results, rolled forward onto the FRS 102 assumptions at 31 July 2018.

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

Financial assumptions

The financial assumptions used to calculate scheme liabilities under FRS 102 are:

	2018	2017
Pension increase (RPI)	3.4%	3.5%
Pension increase (CPI)	2.3%	2.4%
Rate of increase in salaries	3.5%*	3.6%**
Rate of increase of pensions	2.3%	2.4%
Discount rate	2.9%	2.8%

* Composite salary increase assumption of 3.5% as at 31 July 2018 (3.5% p.a. until 31 July 2019, 3.0% p.a. until 31 July 2023 and reverting to a long term assumption of 3.9% p.a. thereafter), taking account of the average term to retirement.

**Composite salary increase assumption of 3.6% as at 31 July 2017 (2.5% p.a. until 31 July 2018, 3.0% p.a. until 31 July 2022 and reverting to a long term assumption of 4.0% p.a. thereafter), taking account of the average term to retirement.

Mortality assumptions

The life expectancies used to determine benefit obligations are:

	Male	Female
Current pensioners	21.4 years	23.7 years
Future pensioners	23.4 years	25.8 years

Notes to the Financial Statements (continued)

For the year ended 31 July 2018

28 Pension schemes (continued)

The Strathclyde Pension Fund (continued)

The expected return on assets has been derived as the weighted average of the expected returns from each of the main asset classes (i.e. equities and bonds). The expected return for each asset class reflects a combination of historical performance analysis, the forward looking views of the financial markets (as suggested by the yields available) and the views of investment organisations.

The assets in the scheme were:

	2018 £000	2017 £000	2016 £000	2015 £000
Equities	119,202	120,719	107,352	94,502
Bonds	40,976	23,804	23,529	15,120
Property	20,488	18,703	16,176	15,120
Cash	5,587	6,801	-	1,260
	<u>186,253</u>	<u>170,027</u>	<u>147,057</u>	<u>126,002</u>

	2018	2017	2016	2015
Weighted average expected long term rate of return	2.9%	2.8%	2.6%	3.6%

Analysis of the amount shown in the balance sheet for SPF

	2018 £000	2017 £000
Scheme assets	186,253	170,027
Scheme funded liabilities	(192,307)	(198,993)
Scheme unfunded liabilities	(351)	(411)
Deficit in the scheme - net pension liability	<u>(6,405)</u>	<u>(29,377)</u>

Current service costs	(8,009)	(6,662)
Past service costs (including curtailments)	(30)	-
Total operating charge	<u>(8,039)</u>	<u>(6,662)</u>

Analysis of the amount charged to interest payable for SPF:

Interest cost	(5,666)	(4,605)
Expected return on assets	4,797	3,857
Total net interest	<u>(869)</u>	<u>(748)</u>

Analysis of other comprehensive income for SPF:

Change in demographic assumptions	159	-
Change in financial assumptions	8,713	(14,980)
Other experience	9,746	14
Return on assets	8,578	16,273
Total other comprehensive income before deduction for tax	<u>27,196</u>	<u>1,307</u>

Notes to the Financial Statements (continued)

For the year ended 31 July 2018

28 Pension schemes (continued)

The Strathclyde Pension Fund (continued)

	2018 £000	2017 £000
Cumulative actuarial loss recognised as other comprehensive income:		
Cumulative actuarial losses recognised at the start of the year	(22,638)	(23,945)
Cumulative actuarial gains/(losses) recognised at the end of the year	4,558	(22,638)

	2018 £000	2017 £000
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Analysis of movement in deficit:

Deficit at beginning of year	(29,377)	(27,638)
Contributions or benefits paid by the University	4,652	4,329
Contributions in respect of unfunded benefits	32	35
Current service cost	(8,009)	(6,662)
Past service costs (including curtailments)	(30)	-
Other finance charge	(869)	(748)
Gain recognised in other comprehensive income	27,196	1,307
Deficit at end of year	<u>(6,405)</u>	<u>(29,377)</u>

	2018 £000	2017 £000
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Analysis of movement in the present value of SPF liabilities:

At 1 August	199,404	174,695
Current service cost (net of member contributions)	8,009	6,662
Past service costs (including curtailments)	30	-
Interest cost	5,666	4,605
Actual member contributions	1,581	1,540
Actuarial (gains)/losses	(18,618)	14,966
Unfunded benefits paid	(32)	(35)
Actual benefits paid	(3,382)	(3,029)
At 31 July	<u>192,658</u>	<u>199,404</u>

Notes to the Financial Statements (continued)

For the year ended 31 July 2018

28 Pension schemes (continued)

The Strathclyde Pension Fund (continued)

	2018 £000	2017 £000
Analysis of movement in the fair value of scheme assets:		
At 1 August	170,027	147,057
Expected return on assets	4,797	3,857
Actuarial gain on assets	8,578	16,273
Actual contributions paid by the University	4,652	4,329
Actual contributions in respect of unfunded benefits	32	35
Actual member contributions	1,581	1,540
Unfunded benefits paid	(32)	(35)
Actual benefits paid	(3,382)	(3,029)
At 31 July	186,253	170,027

The University expects to contribute £4,573k to the Strathclyde Pension Fund in 2018/19. There were no outstanding contributions at the balance sheet date (2017: 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 total cost charged to the profit and loss account is £4,954k (2017: £4,846k). Contributions of £637k were outstanding at the balance sheet date (2017: nil).

Universities Superannuation Scheme

The total cost charged to the income and expenditure account is £607k (2017: £650k). There were no outstanding contributions at the balance sheet date (2017: nil).

The latest available complete actuarial valuation of the Retirement Income Builder Section of the Scheme is at 31 March 2014 (the valuation date), which was carried out using the projected unit method. The valuation as at 31 March 2017 is underway but not yet complete.

Since the institution cannot identify its share of Retirement Income Builder Section of the Scheme assets and liabilities, the following disclosures reflect those relevant for the Section as a whole.

The 2014 valuation was the third valuation for USS under the scheme-specific funding regime introduced by the Pensions Act 2004, which requires schemes to adopt a statutory funding objective, which is to have sufficient and appropriate assets to cover their technical provisions. At the valuation date, the value of the assets of the scheme was £41.6 billion and the value of the Scheme's technical provisions was £46.9 billion indicating a shortfall of £5.3 billion. The figures will be revised once the 2017 Scheme Valuation is complete.

Notes to the Financial Statements (continued)

For the year ended 31 July 2018

28 Pension schemes (continued)

Universities Superannuation Scheme (continued)

Defined benefit liability numbers for the Scheme for accounting purposes have been produced using the following assumptions:

	2018	2017
Discount rate	2.64%	2.57%
Pensionable salary growth	n/a	n/a
Pension increases (CPI)	2.02%	2.41%

The main demographic assumption used relates to the mortality assumptions. These assumptions have been updated for the 31 March 2018 accounting position, based on updated analysis of the Scheme's experience carried out as part of the 2017 actuarial valuation. The mortality assumptions used in these figures are as follows:

	2018	2017
Mortality base table	Pre-retirement:	
	71% of AMCOO (duration 0) for males and 112% of AFCOO (duration 0) for females	98% of SAPS S1NA "light" YoB unadjusted for males
	Post retirement:	
	96.5% of SAPS S1NMA "light" for males and 101.3% of RFV00 for females	99% of SAPS S1NA "light" YoB with a -1 year adjustment for females
Future improvements to mortality	CMI_2016 with a smoothing parameter of 8.5 and a long term improvement rate of 1.8% pa for males and 1.6% pa for females	CMI_2014 with a long term rate of 1.5% pa

The current life expectancies on retirement at age 65 are:

	2018	2017
Males currently aged 65 (years)	24.5	24.4
Females currently aged 65 (years)	26.0	26.6
Males currently aged 45 (years)	26.5	26.5
Females currently aged 45 (years)	27.8	29.0

	2018	2017
Scheme assets	£63.6bn	£60.0bn
Total scheme liabilities	£72.0bn	£77.5bn
FRS 102 total scheme deficit	£8.4bn	£17.5bn
FRS 102 total funding level	84%	77%

For the year ended 31 July 2018

29 Non-adjusting Post Balance Sheet Events

As set out in note 28, on 26 October 2018 the High Court handed down a judgment involving the Lloyds Banking Group's defined benefit pension schemes. The judgment concluded the schemes should be amended to equalise pension benefits for men and women in relation to guaranteed minimum pension benefits. The issues determined by the judgment arise in relation to many other defined benefit pension schemes. We are working with the trustees of USS to understand the extent to which the judgment crystallises additional liabilities for the USS pension scheme. The USS provision will only be impacted to the extent the change in benefits increases cash financing.

30 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's 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 Council Members was undertaken and no material interests were identified.

31 Access funds

	Childcare fund £000	Hardship fund £000	Nursing fund £000	Total £000
At 1 August 2017	8	-	30	38
Allocation received in year	622	903	99	1,624
Funds paid in 16/17 refunded in year	7	-	-	7
Funds paid in 17/18 refunded in year	3	-	-	3
Expenditure	(324)	(1,088)	(94)	(1,506)
Repaid by clawback	(8)	-	-	(8)
Institution contribution to funds (bank interest)	1	2	-	3
Virements	(187)	187	-	-
At 31 July 2018	122	4	35	161
Repayable as clawback	122	4	35	161
Retained for students	-	-	-	-

Funding Council grants are available solely for students. The University acts only as paying agent. The grants and related disbursements are therefore excluded from the income and expenditure account.

For the year ended 31 July 2018

32 Financial instruments**Risk management**

The University carefully monitors and manages the credit, liquidity, foreign currency and interest rate risk associated with the group's activities. These financial risks are managed within parameters specified by relevant risk and treasury management policies.

The University's treasury management policy governs all treasury management activities and sets out relevant policy objectives and control measures. It is reviewed and approved annually.

The group's principal financial instruments are cash, short term deposits and loans. The core objective of these financial instruments is to meet financing needs of the University's operations and capital investment. Additionally, the University has other financial assets and liabilities arising directly from its operations i.e. trade debtors and creditors

Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the University. The University's credit risk arises from bank balances, investments, student debtors and commercial organisations as customers. Management of credit risk is a prime objective of the Treasury Management Policy.

At 31 July 2018, the maximum exposure is represented by the carrying value of each financial asset in the balance sheet. The credit risk of liquid funds and financial instruments is limited because the counterparties are banks with investment grade ratings assigned by international credit-rating agencies. The University's exposure and the credit ratings of its counterparties are monitored regularly. The credit exposure is limited by counter party limits and minimum counter party credit ratings set within the Treasury Management Policy. Student and commercial debtors are reviewed on an on-going basis and a bad debt provision is made if recovery becomes uncertain. If a debtor is deemed irrecoverable it is written off. The concentration of risk is limited due to a large number of diverse customers across both student and commercial customer populations.

Liquidity risk

Liquidity risk refers to the risk that the University will not be able to meet its financial obligations as they fall due. Regular monitoring of liquidity risk is an essential feature of treasury management activities. Formal cash flow forecasts are developed, monitored and updated to ensure that adequate working capital is available and excess funds are invested to reduce the carrying cost of funds.

At 31 July 2018, the group is holding cash deposits, none of which have a maturity period greater than 12 months.

Foreign currency risk

Foreign currency risk refers to the risk that unfavourable movement in exchange rates may cause financial loss to the University. The group is exposed to currency risk on transactions and balances that are denominated in currencies other than sterling. Whenever practical, the University enters into agreements in its functional currency in order to minimise currency risks.

At 31 July 2018 the group is exposed to currency risks from its activities conducted overseas but does not enter into any hedge arrangements. The principal foreign currency exposure is to the US dollar and euro.

For the year ended 31 July 2018

32 Financial instruments (continued)**Interest rate risk**

Interest rate risk refers to the likelihood that changes in interest rates will result in fluctuations of the value of balance sheet items (i.e. price risk) or changes in interest income or expenses (i.e. re-investments risk).

At 31 July 2018 balance sheet values of deposits and cash at bank and in hand are not materially exposed to changes in interest rates. The interest rate attached to the loan facility is fixed over the term.

Financial instruments – fair values

The fair values of each category of the University's financial instruments are the same as their carrying value in the balance sheet.

	Consolidated	University	Consolidated	University
	2018	2018	2017	2017
	£000	£000	£000	£000
Trade debtors and other receivables	10,630	24,960	8,325	20,351
Cash and cash equivalents	14,348	13,573	8,854	8,175
Current investments	5,054	5,000	9,053	9,000
Trade creditors and other payables	(47,086)	(44,579)	(43,107)	(41,116)
	<u>(17,054)</u>	<u>(1,046)</u>	<u>(16,875)</u>	<u>(3,590)</u>



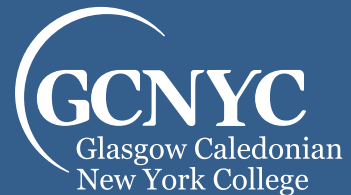
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