



Glasgow Caledonian
University

- William Harley Building
- C.P.D. Centre
- Sports Centre/APC
- Britannia Building
- Hamish Wood Building
- Saltire Centre
- George Moore Building
- Govan Moseki Building
- Students' Association Building
- Occupational Health
- Eye Clinic
- Charles Oakley Building
- Carnegie Lecture Theatre
- Teaching Block
- Nursery
- Milton Street Building

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www.gcu.ac.uk

Annual Financial Statements

Year ended 31st July 2011



Sports Centre/ARC

Britannia Building

Hamish Wood Building

Saltire Centre

Moore Building

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University's Professional Advisors

Bankers

Royal Bank of Scotland plc
23 Sauchiehall Street
Glasgow G2 3AD

External Auditor

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

Internal Auditor

PricewaterhouseCoopers LLP
Chartered Accountants and
Registered Auditor
141 Bothwell Street
Glasgow G2 7EQ

Solicitors in 2010/11

MacRoberts LLP
60 York Street
Glasgow G2 8JX

Biggart Baillie LLP
310 St Vincent Street
Glasgow G2 5PR

Introduction from Professor Pamela Gillies, Principal and Vice-Chancellor

This annual report covers a critical year for higher education and one in which the sector faced many challenging and complex issues, not least because of substantial reductions in public funding.

A THE (Times Higher Education) world top 400 university in 2010/11, committed to an ambitious social mission and vision, Glasgow Caledonian University remains a well managed and financially sound institution which must continue to be bold, innovative and creative to secure success and grow in challenging times.

In 2010 the University responded to changing patterns of demand and delivery for our programmes and the evolving tighter financial environment. It agreed greater internationalisation, increased postgraduate student presence and enhanced focus on business academies, requiring a refreshed and remodelled academic portfolio.

In March 2011, the University agreed to implement new academic departments within each of the three new Schools to come into operation from 1 August 2011, with significant reductions in senior posts. In June 2011 the University agreed new central and School administrative and support arrangements. Significant progress has been achieved by 31 July 2011 in releasing £5m of sustainable savings for re-investment in our core business.

Resilient and proactive, the University partners with business and industry for mutual benefit and important new income streams. Our flexible approach to bespoke professional educational programmes and industrial R&D models has led to partnerships with Scotland's leading organisations, including the Scottish Ambulance Service, FMC Technologies, Scottish and Southern Energy, Howden and ClydeUnion, to

deliver mutual benefit and deliver new income streams at home as well as our new international academic partnerships.

In India, we signed a collaboration agreement in Life Sciences with Deccan Education Society who operate one of India's oldest colleges, Fergusson College, opened in 1875 by Lord Fergusson originally of Ayrshire. This dual centre will deliver masters courses in Food Biosciences and clinical Micro-Biology, areas of high unmet need in both countries.

And of course we continue to invest wisely, even in the face of a period of weak international economic growth, securing a number of exciting opportunities for further growth and to further our mission of education and research for the common good.

GCU London, our specialist postgraduate university campus based in the vibrant Spitalfields area of London, is thriving, having been set up in September 2010 with the support of business partners including All Saints, M&S, House of Fraser, Santander and Howden.

Further afield, the Grameen Caledonian College of Nursing, established in 2009, is helping educate the next generation of nurses in Bangladesh – a country which currently has fewer nurses than doctors, and a high mother and child mortality rate. The Princess Royal graced our capping ceremony in March 2011 in Dhaka for the first cohort of students, who come from some of the poorest backgrounds, and who will return to serve their village communities.

The investment made by the University in its strategies for growth is important to sustaining a robust future not just for the institution but for its communities as well. An independent report produced in June 2010 showed that Glasgow Caledonian University contributes £230m to the City of Glasgow and £406m to Scotland's economy annually and in May 2011 reported a contribution of £40m from our international activities alone.

Most importantly though, activities such as these enable us to invest further in our high quality learning and teaching environment here in Glasgow, and to further progress in all areas of learning, teaching and research. In June 2011 the University agreed to invest £5m in a new sustainable energy centre to boost our already high Green profile, which includes Scotland's first silver EcoCampus award.

In 2011 we published details of our new University strategy which will share our current priorities and will be the guide by which we plan our activities to deliver ongoing access and excellence. Our continued success is due to the enormous contributions made by our staff and students.



Professor Pamela Gillies
BSc PGCE Med MMedSCI PhD FFPH AcSS Hon FRCPS (Glasg)
Principal and Vice-Chancellor





Public benefit in support of our charitable status

A 2010 report by Biggar Economics shows that GCU delivers a range of social and economic benefits, and boosts Scotland's economy by £406 million every year.

In addition to the University's research output and its core impact as a high quality educator, employer and consumer of local goods and services, GCU brings distinct value to the city's diverse communities and offers national benefits from knowledge transfer and commercial training.

With one of the strongest records for knowledge transfer in Scotland, the University's flexible approach to supporting business and the public sector is well recognised; while its strategic social partnerships, for example with Nobel Prize Winner Professor Muhammad Yunus and the Grameen foundation, aim to tackle major social challenges of worklessness and health inequalities.

In support of the University's commitment to the 'common weal', staff and students are encouraged to engage in a range of voluntary, community and public service activities. Both University Court members and staff undertake public service roles which contribute materially to Scotland's social and economic welfare.

For example, in her professional, personal and institutional capacity the Principal carries out a number of roles outside the University. Professor Gillies was inaugurated as a member of the Merchants House of Glasgow in November 2009. She sits on the Scottish Poverty and Truth Commission and was invited to become Chair of the Higher Education Leadership Forum for Scotland in January 2010, and continued in roles as a Trustee of the British Council and a Board member of the Saltire Foundation, CBI Scotland and Scottish Enterprise West Regional Advisory Board. Professor Gillies also Chairs the Universities Scotland Health

Committee; is Founding Trustee of the Grameen Scotland Foundation; is a GlobalScot; and has an International portfolio of the Alliance Group of Universities.

The Student Leaders Programme aims to develop the leadership and employability skills of GCU students who are involved in volunteering and/or mentoring activities within GCU or in the community. Tanino Abbate was named Student of the Year 2011. Described as "an avid ambassador of everything GCU has to offer", Tanino, a highly valued member of the Caledonian Club, has also mentored for Routes for All and the College Articulation project, and as a classroom assistant in a local school.

Now in its fourth year, the Magnus Magnusson Awards fund was established in honour of the late university chancellor and broadcaster, to help students and early career researchers achieve their dreams and ambitions. Winning students this year took on life-changing challenges including mentoring nursing students in Dhaka, promoting awareness of human rights in Ghana and using art, music and dance to enhance the lives of young people and children in Thailand.

The University this year has also hosted the Women in Scotland's Economy lecture series and hosted public lectures by public figures including Will Hutton, Ethel Hoffman, Mark Millar and Ann Gloag among others.

As well as the annual 'Caledonian Creates' public exhibition, the University held exhibits of public art including Alastair R Ross Sculptures and Love Loss and Laughter: Seeing Alzheimer's Differently.

Management and Governance

Management

In 2010 – 11, the University's management was led by the Principal and Vice-Chancellor, assisted by four Vice Principals and Pro-Vice Chancellors, an Executive Director of Finance and Vice Principal, and a University Secretary and Vice Principal.

In the process of restructuring and re-profiling its six Schools around three larger groupings to deliver the University's ambitious plans for growth and innovation, GCU has also this year replaced the six Deans of the smaller Schools with three new Executive Deans to lead the larger Schools.

As Pro Vice-Chancellors and Executive Board members, Executive Deans will have a broader role than Deans and will contribute to strategic policy and decision making relating to all areas within their School and the wider University. This will enhance our capability to sustain the University in the long-term and respond to the competitive and financial challenges ahead.

Governance

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

The appointed governor membership consists of a minimum of nine and a maximum of eighteen members and is drawn from people who have experience of, and have shown capacity in, industrial, commercial or employment matters or in the practice of any profession. The appointed governor membership must maintain an overall majority on the University Court. The Principal and Vice-Chancellor and the President of the Students' Association are Governors ex officio. Three staff governors are elected; one by Senate from among the members of Senate, one by the academic staff from among the members of such staff, and one by the non-academic staff from among the members of such staff. The University Court currently comprises eighteen governors.

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

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





Govan M
Building

George
Build



Disability Policy, Equality and Diversity

Disability policy

The University gives equal consideration to all applications for employment regardless of disability, and where a candidate with a disability is the best person for the job, full consideration is given to what reasonable adjustments are necessary to ensure the requirements of the job can be adequately fulfilled.

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

Equality and diversity

Equality and diversity has been embedded across all University functions through a number of projects and activities, which aim to ensure that staff and students have knowledge of their rights and responsibilities, as well as relevant issues.

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



Risk, Payment and Looking Forward

Risk

The University maintains a comprehensive risk register with risk analysis embedded in its Schools and Departments.

The key risks identified are inability to manage the consequences of further cuts in government funding whilst protecting quality provision and uncertainties arising from short-term NHS manpower planning in particular; perturbation in the international student market arising from UK government policies and higher levels of regulatory controls; and finally potential for disruption to industrial relations following national pay and pension negotiations.

The Court is developing a risk appetite statement with inputs from the Executive and Audit Committee, in order to balance the risks accepted in taking ambitious, imaginative and enterprising actions to secure the University's strategic direction and financial sustainability with the overarching need to maintain the University's high reputation.

Payment of Creditors

It is the University's policy to obtain the best terms of business from creditors, and thus, there is no single policy as to the terms used. In agreements negotiated with suppliers, the University endeavours to include and abide by specific payment terms. The amount of interest paid in the year under the Late Payment of Commercial Debts (Interest) Act 1998 was nil.

Looking Forward

Glasgow Caledonian University has this year published its strategy to 2015.

The document lists the strategic goals as follows:

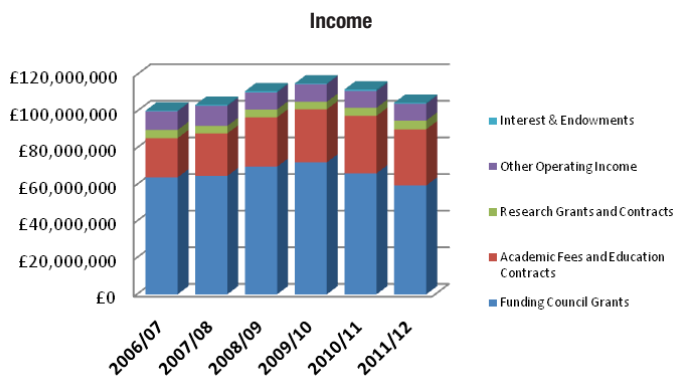
- Internationally networked
- Excellence in education
- Excellence in research
- Delivering for business and the public sector
- Valuing our people
- Committed to the common good



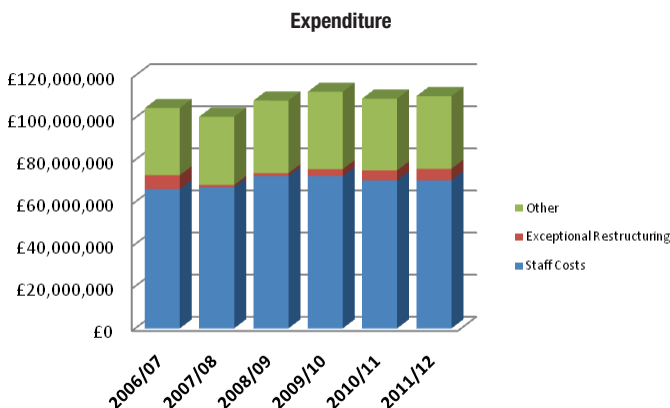
Highlights of 2010-2011

Financial Highlights

	2010/11 £000	2009/10 £000	% change
Income	112,052	115,258	(3)
Operating expenditure	104,380	109,578	(5)
Surplus before exceptional items	7,672	5,680	35
Exceptional items	4,745	2,792	70
Surplus for the year retained	3,018	2,939	3
Net assets	152,892	146,691	4
Cash at bank and deposits	27,161	20,963	30

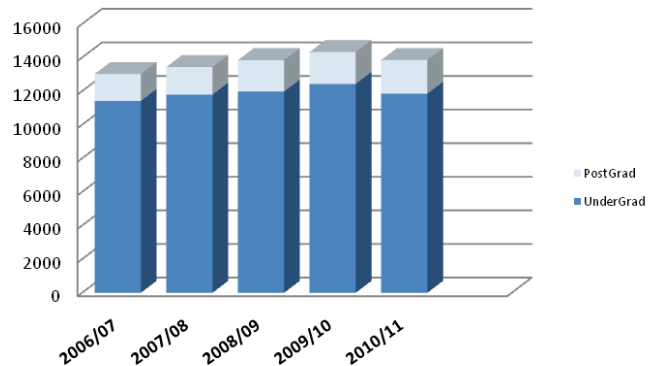


The University's income in 2010/11 was reduced by 3% from £115M following the decrease in infrastructure grants of £6M. The further capital and revenue reductions for 2011/12 will reduce income by a further £7M.



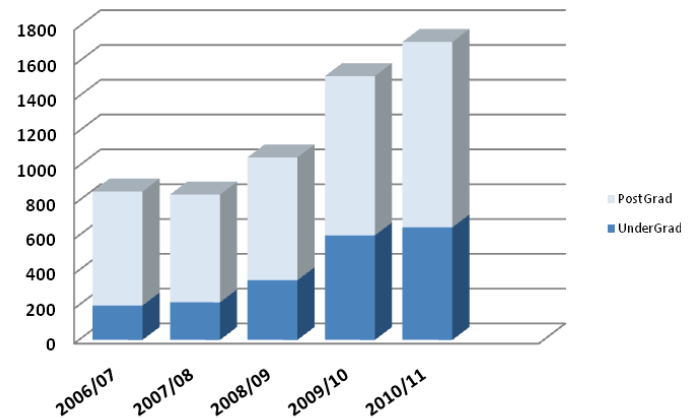
Expenditure in 2010/11 was also reduced by 3% from £112M to £109M, including absorbing the increase of £1.5M in the expenditure upon exceptional restructuring costs in the second year of the current programme. Controls in place upon both manpower and other costs reduced recurrent expenditure by £5M with further cost reductions planned to follow in 2011/12.

Student FTE



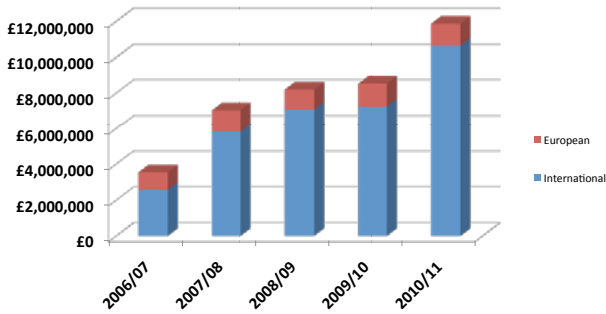
Student numbers in Glasgow and London declined overall by 500 as a result of a decision not to enter clearing in 2010/11. The reduction from full time equivalent 12,400 to 11,800 was partially balanced by the increase of 6% in postgraduate student numbers to 2,000 overall.

International Student FTE (including INTO Scotland)



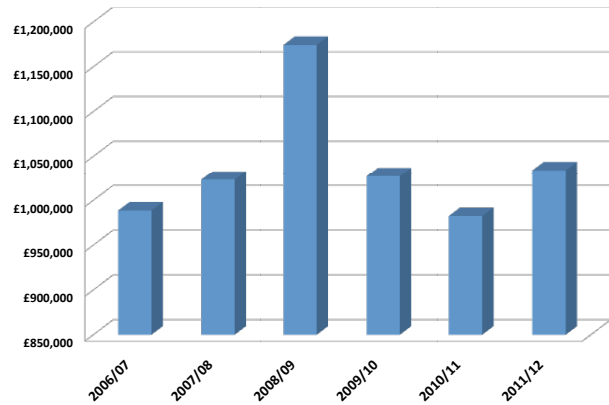
International numbers increased substantially from 1,500 to 1,700 full time equivalent students, following increased entry both from INTO Scotland and direct recruitment. Additionally student exchanges under a variety of programmes, Erasmus Mundus and GCU's own student exchanges have proved very popular with nearly 500 students spending from a year to a few weeks studying around the world from Chile to China.

International and European Income



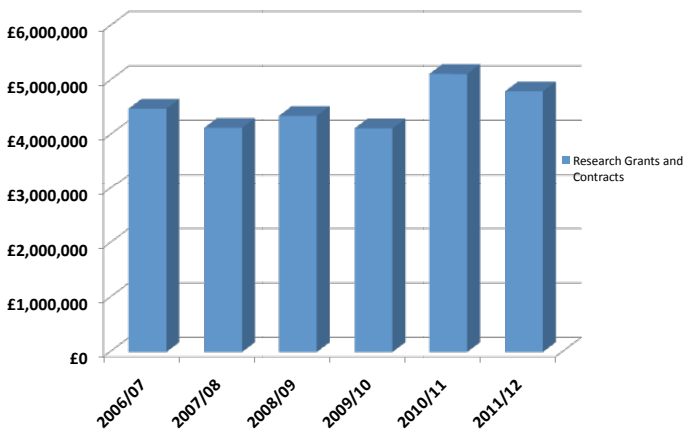
The total income arising outside the UK rose by 39% to £11.9M in 2010/11. This growth is likely to be consolidated in 2011/12 following further increases in international competition and changes to the UK immigration control system.

Knowledge Transfer Grants and Contracts Income



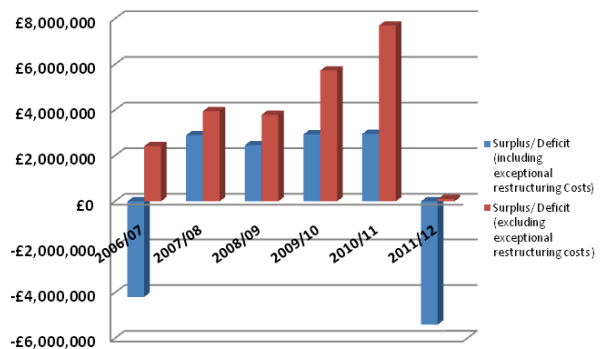
Knowledge transfer grants decreased by £200k to £500k in 2010/11, partially balanced by an increase of £150K in partnership income.

Research Grants and Contracts



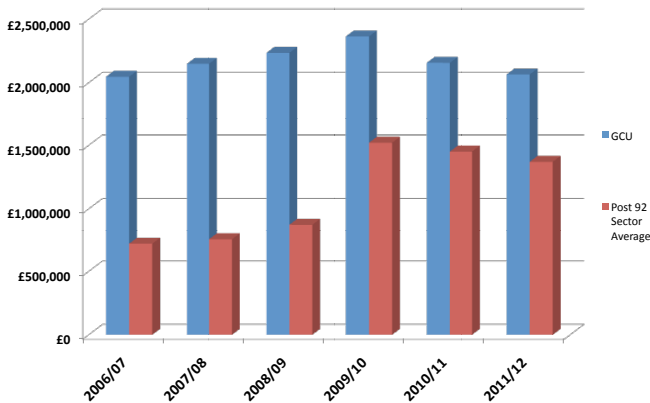
An increase in contract research, UK Research Charities and European Community grants completed in 2010/11 increased contract and grant income by £1M to £5.1M.

Surplus/Deficit



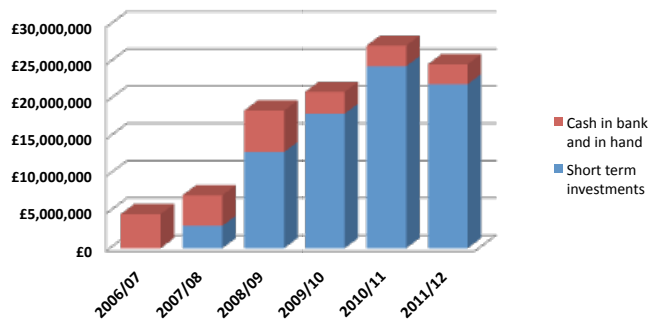
The underlying surplus increased by 35% to reach £7.8M and the overall surplus increased from £2.9M to £3.0M following the restructuring exercise to protect financial sustainability. Looking ahead to 2011/12, the underlying surplus is projected to fall mainly as a result of further constraints in funding.

Main Quality Research Grant Income



In the run up to the next National UK Research Excellence Framework in 2013 the University has increased its expenditure on the main quality research grant to £3.3M in 2010/11 an increase of 11% on 2009/10. The cash received from the SFC grant has however declined for the future in line with reductions for other modern Scottish universities.

Cash at Bank and Deposits



The University has continued to add to its cash reserves from its positive cash flow from operations. Funds are deposited with a range of high quality financial institutions for a variety of terms to suit operational requirements and agreed in advance by the Finance and General Purposes Committee.

To deliver continuing financial sustainability the University has utilised cash to fund restructuring where this delivers a return within a year. In future it intends to fund its estates strategy through a mix of its own funds and borrowings to maintain its reputation for high quality student services and facilities. The reduction in funds in 2011/12 reflects the initial expenditure on a project approved on 6 June 2011 to construct a Combined Heat and Power plant with a total cost of £4.9m

Responsibilities of the University Court

Responsibilities of the University Court

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

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

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

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

The Court has a responsibility to:

- ensure that funds from the Scottish Funding Council are used only for the purposes for which they have been given and in accordance with the Further and Higher Education (Scotland) Act 1992, the University's Financial Memorandum with the Funding Council and any other conditions which the Funding Council may from time to time prescribe;
- ensure that there are appropriate financial and management controls in place to safeguard public funds and funds from other sources;
- ensure reasonable steps have been taken to secure the economical, efficient and effective management of the University's resources and expenditure; and
- ensure sound corporate governance and the proper conduct of the University's operations.

University Court Members

Mr Martin Cheyne Chair (to 31.07.11)
Mr Antony Brian Vice-Chair (to 31.07.11);
Chair (from 01.08.11)
Professor Pamela Gillies
Principal and Vice-Chancellor
Mr Matthew Andrews (from 13.06.11)
President of the Students' Association
Mrs Hazel Brooke
Vice-Chair (from 01.08.11)
Mr John Chapman (from 01.08.11)
Mrs Tracy Findlay
Ms Laura Gordon
Mr Tom Halpin (from 01.08.11)
Mr Rory Herron (to 12.06.11)
President of the Students' Association
Dr Azeem Ibrahim (to 08.03.11)
Mr Stephen McCafferty
Mr Malcolm McCaig
Professor Elaine McFarland
Mr John McNaught
Dr Rajan Madhok
Dr James A Miller
Mr Hugh O'Neill
Mr Henry Perfect (to 31.07.11)
Mr Graham Scott
Ms Catherine Truel
Mr David Wallace

Members of Finance and General Purposes Committee

Mr Matthew Andrews (from 13.06.11)
President of the Students' Association
Mr David Beeby
Mr Antony Brian (from 01.08.11)
Mr John Chapman (from 01.08.11)
Professor Pamela Gillies
Mr Rory Herron (to 12.06.11)
President of the Students' Association
Dr Azeem Ibrahim (to 08.03.11)
Mr John McNaught
Mr Hugh O'Neill
Mr Henry Perfect Chair (to 31.07.11)
Ms Catherine Truel
Mr David Wallace Chair (from 01.08.11)

Members of Audit Committee

Mr Antony Brian (to 31.07.11)
Ms Laura Gordon
Mr Tom Halpin (from 01.08.11)
Mr Malcolm McCaig Chair
Professor Elaine McFarland
Dr James A Miller

Members of Remuneration Committee

Mr Antony Brian (from 01.08.11)
Mrs Hazel Brooke
Mr Martin Cheyne (to 31.07.11)
Professor Pamela Gillies
Dr Rajan Madhok Chair
Mr Henry Perfect (to 31.07.11)

Members of Court Membership Committee

Mr Antony Brian Chair (from 01.08.11)
Mr Martin Cheyne Chair (to 31.07.11)
Professor Pamela Gillies
Professor Elaine McFarland
Dr Rajan Madhok
Dr James A Miller

Members of Health and Safety Committee

Mr Matthew Andrews (from 13.06.11)
 President of the Students' Association
 Mr John Chapman (from 01.08.11)
 Mrs Tracy Findlay
 Mr Jim Gibson (from 29.06.11)
 Mr Rory Herron (to 12.06.11)
 President of the Students' Association
 Mr Stephen McCafferty
 Mr John McNaught (from 08.03.11)

Mr Hugh O'Neill Chair
 Mr Keith Ross (to 28.06.11)
 Mr David Wallace (to 31.07.11)

Members of Staff Policy Committee

Mrs Hazel Brooke
 Mrs Tracy Findlay
 Professor Pamela Gillies
 Mr Jim Gibson (from 29.06.11)
 Mr Stephen McCafferty
 Dr James A Miller Chair
 Mr Keith Ross (to 28.06.11)
 Mr Graham Scott
 Ms Anne Sibbald (to 06.06.11)

Member	Date from/to	University Court 6 in year	Finance and General Purposes 5 in year	Audit 6 in year	Remuneration 2 in year	Court Membership 1 in year	Health and Safety 2 in year	Staff Policy 3 in year
Mr Martin Cheyne	To 31.07.11	6			1	1		
Mr Antony Brian		5		6				
Professor Pamela Gillies Principal and Vice-Chancellor		6	4		2	1		3
Mr Matthew Andrews	From 13.06.11	-	-				-	
Mr David Beeby			4					
Mrs Hazel Brooke		6			2			3
Mrs Tracy Findlay		6					2	3
Mr Jim Gibson	From 29.06.11						-	-
Ms Laura Gordon		6		5				
Mr Rory Herron	To 12.06.11	6	3				-	
Dr Azeem Ibrahim	To 08.03.11	-	-					
Mr Stephen McCafferty		5					1	3
Mr Malcolm McCaig		6		6				
Professor Elaine McFarland		6		5		1		
Mr John McNaught		5	3				-	
Dr Rajan Madhok		4			2	1		
Dr James A Miller		6		5		1		3
Mr Hugh O'Neill		5	5				2	
Mr Henry Perfect	To 31.07.11	5	5		2			
Mr Keith Ross	To 28.06.11						1	2
Mr Graham Scott		6						3
Ms Anne Sibbald	To 06.06.11							3
Ms Catherine Truel		5	3					
Mr David Wallace		3	3				-	

Dr Ibrahim resigned from Court in March 2011 because an unexpected increase in work commitments during 2010/2011 prevented him from attending any meetings.

In some cases professional commitments have prevented members attending all their Committees. In such circumstances communication and contribution has been provided to the Chairman outwith the meeting.

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

Corporate Governance Statement

Introduction

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

Statement of full combined compliance

In the opinion of the Court, the University complies with the provisions of the UK Corporate Governance Code in so far as they apply to the higher education sector, and it has complied throughout the year ended 31 July 2011.

University Court

In 2010/11 the University Court met six times and has six standing committees which support it. Each committee has formally constituted terms of reference. These committees are a Finance & General Purposes Committee, a Remuneration Committee, a Court Membership Committee, a Health and Safety Committee, a Staff Policy Committee and an Audit Committee. In addition, the Court had an Away Day to consider the operating environment and future strategic direction. The Court undertakes an annual review of the effectiveness of each of its committees and their success in meeting objectives which are set annually.

The Finance and General Purposes Committee met five times and among other things, recommends to Court the University's annual revenue and capital budgets and monitors performance in relation to the approved budgets. The committee also reviews major investment decisions prior to final approval by Court.

The Remuneration Committee met twice in the year and determines the remuneration of members of the Executive, including the Principal. Information on the remuneration of senior

post holders for the year ended 31 July 2011 is set out in note 6 to the financial statements. The Remuneration Committee's work is governed by a clear remuneration philosophy designed to attract, retain and incentivise key senior staff. 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 Court Membership Committee's terms of reference require it to keep Court's membership under review and to meet only when it is necessary to consider nominations for vacancies in the Court membership. Court has a robust process for appointing governors which is based on the principles of transparency and flexibility. The process encompasses a wide range of methods to allow the Court Membership Committee the flexibility to employ whichever recruitment methods are the most appropriate to the circumstances. Vacancies on the University Court are advertised on the Public Appointments website. The Committee met formally in 2010/2011 on one occasion but had a number of engagements with potential governors. The University has a responsibility to ensure that appropriate training is given to Court members as required.

The Health and Safety Committee met twice in 2010/11. The terms of reference of the Health and Safety Committee are to formulate safety and environmental policies in order to ensure that the University meets all legislative requirements and best practice standards, and promote and monitor effective implementation of those policies.

The Staff Policy Committee met three times in 2010/11. The main purpose of the Staff Policy Committee is to oversee the development of a People Strategy to support the University's strategic plan, to recommend the strategy to Court and to report to Court on progress in implementing the strategy and to ensure that policies, procedures and practices

relating to staffing matters comply with all relevant employment legislation.

In 2010/11 the Audit Committee met six times with the University's external and internal auditors in attendance. The Audit Committee advises the University on the appointment of the internal and external auditors and the auditors' remuneration, and assesses the effectiveness of the internal auditors. The Committee may meet privately with both the internal and external auditors if it wishes. The University's internal auditors monitor the systems of internal control, risk management controls and governance processes in accordance with a risk based three-year strategic plan and a specific annual agreed plan of input, and report their findings to management and the Audit Committee. Management is responsible for the implementation of agreed audit recommendations and internal auditors undertake periodic follow-up reviews to ensure that such recommendations have been implemented. The Audit Committee considers detailed reports together with recommendations for the improvement of the University's systems of internal control and management's responses and implementation plans. It also receives and considers reports from the Scottish Funding Council as they affect the University's business and monitors adherence to the regulatory requirements.

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

Corporate Strategy

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

The University Court agreed the revised University's 2015 Strategic Mission and Objectives in 2011. The University also has a comprehensive Estates Strategy 2011 – 2015 which has been updated by the University Executive Board and Court in 2011.

University Court statement on internal control

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

There is a robust Court committee and Executive group structure which operates effectively via remits, standing orders, reserved powers, minutes and action plans. The main Executive Board receives monthly comprehensive reports on budgetary matters with outturns monitored against targets. In addition, quarterly financial reports are presented to the Finance and General Purposes Committee and to Court.

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

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

All major projects require to be set up and run under formal project management arrangements. The University runs all major IT projects under PRINCE2 methodology, has a dedicated Executive member to lead the projects and employs an overall programme manager covering all IT projects. The University has an established approach to the identification

and management of risk. There is a strategic risk register which is reviewed annually by Court, Audit Committee and the University Executive Board and includes impact analysis and mitigating actions. In addition, there is a Business Continuity Plan in place which is being updated to reflect the new structure from 2011/12. As new legislation arrives, actions are taken by internal committees to ensure compliance, and committee papers prepared must indicate how the actions proposed address compliance with legislation. All Schools and Departments have operating plans which identify risk and weakness. The process of further embedding formal risk management at School and Departmental level has continued with the risk registers in place being updated to reflect the new structure from 2011/12.

The Court is of a view that there is an ongoing process for identifying, evaluating and managing the University's significant risks that has been in place throughout the year ended 31 July 2011 and up to the date of approval of the annual financial statements. This process is reviewed by the Court and accords with the Turnbull guidance, as applicable to the higher education sector.

The Bribery Act 2010 (the Act), which came into operation on 1 July 2011, places a requirement on organisations to have adequate procedures to prevent bribery. To ensure compliance with the Act, the University convened a short term Anti-Bribery Steering Group under whose auspices a risk assessment was undertaken to identify areas where there could be gaps in existing policies and procedures. A review of the University's existing policies and procedures was undertaken following which an anti-bribery policy was developed in consultation with the University Audit Committee and the internal auditors. The policy was approved by the University Court on 6 July 2011.

A number of measures have been put in place to ensure staff are aware of their responsibilities under the Act and their responsibility to adhere to the University's Anti-Bribery Policy, for example management briefings, briefing sessions

which are open to all staff. Staff will be reminded annually of their responsibilities. In addition, as the scope of the Act extends to agents and any person whom the University employs to work on its behalf, staff have been informed that they must ensure that any agent/ person with whom they engage in this capacity is made aware of the University's Anti-Bribery Policy.

The University is compliant with the UK Corporate Governance Code. The University takes risk management very seriously and continues to improve the system of risk management. It has risk registers in place at institutional level and in all Schools. A process of regular risk review is in place to further embed good management practice throughout the University.

Conclusion

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

MR ANTONY BRIAN

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

We have audited the group and University financial statements (the "financial statements") of Glasgow Caledonian University for the year ended 31 July 2011 which comprise the Consolidated Income and Expenditure Account, the Consolidated and University Balance Sheets, the Consolidated Cash Flow Statement, the Statement of Consolidated Total Recognised Gains and Losses, the Statement of Consolidated Historical Cost Surpluses, the Statement of Principal Accounting Policies and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the University Court of Glasgow Caledonian University, in accordance with paragraph 6 of part 3 of the Glasgow Caledonian University Order of Council 2010. Our audit work has been undertaken so that we might state to the University Court those matters we are required to state to it in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the University Court for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the University Court and auditor

As explained more fully in the Responsibilities of the University Court set out on page 13, the University Court is responsible for the preparation of financial statements which give a true and fair view. Our responsibility is to audit, and express an opinion, on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the group's and University's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the University Court; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Annual Financial Statements to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the affairs of the Group and University as at 31 July 2011 and of the Group's income and expenditure, recognised gains and losses and cash flows for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the Statement of Recommended Practice – Accounting for Further and Higher Education.

Opinion on other matters prescribed by the terms of our engagement

In our opinion, in all material respects monies expended out of all non-recurrent grants and other funds from whatever source, administered by the University for specific purposes, have been properly applied to those purposes and, if appropriate, managed in compliance with any relevant legislation.

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

We have nothing to report in respect of the following matters where the terms of our engagement requires us to report to you if, in our opinion:

- proper accounting records are not being kept;
- 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.

S Reid

For and on behalf of KPMG LLP,
Statutory Auditor

Chartered Accountants
191 West George Street
Glasgow
G2 2LJ

8 November 2011

Statement of Principal Accounting Policies

Basis of preparation

The financial statements have been prepared under the historical cost convention, modified to include land and buildings and investments at valuation, and in accordance with the Statement of Recommended Practice (SORP): Accounting for Further and Higher Education 2007 and in accordance with applicable accounting standards. They conform to guidance published by the Scottish Funding Council.

Change in accounting policy

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

Basis of consolidation

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

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

Income recognition

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

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

Income from grants, contracts and other services is accounted for on an accruals basis and included to the extent the expenditure is incurred on each project

during the year. Any payments received in advance of such performance are recognised on the balance sheet as liabilities.

Grants received in respect of the acquisition or construction of fixed assets are treated as deferred capital grants. Such grants are credited to deferred capital grants and an annual transfer made to the income and expenditure account over the useful economic life of the asset, at the same rate as the depreciation charge on the asset for which the grant was awarded.

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

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

Agency arrangements

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

Foreign currencies

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

Land and buildings

Freehold land and buildings are stated at valuation, less a provision for depreciation. The basis of valuation is

depreciated replacement cost. Valuations are carried out by independent Chartered Surveyors. The carrying value of tangible fixed assets are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable.

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

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

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

Equipment and furniture

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

Capitalised equipment and furniture are stated at cost.

Depreciation is provided over the following periods:

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

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

Statement of Principal Accounting Policies

Repairs and maintenance

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

Investments

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

Any increase in value arising on the revaluation of fixed asset investments is carried as a credit to the revaluation reserve, via the statement of total recognised gains and losses. A diminution in value is charged to the income and expenditure account to the extent that it is not covered by a previous revaluation surplus.

Endowments and donations

Unrestricted donations

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

Endowment funds

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

- Restricted permanent endowment – the donor has specified that the fund is to be permanently invested to generate an income stream to be applied to a particular objective.
- Unrestricted permanent endowment – the donor has specified that the fund is to be permanently invested to generate an income stream for the general benefit of the University.
- Restricted expendable endowment – the donor has specified a particular objective and the University can convert the endowed capital into income.

Stocks

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

Cash flows and liquid resources

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

Liquid resources are short term investment assets held as a readily disposable store of value. They include term deposits, government securities and loan stock held as part of the University's treasury management activities. They exclude any such assets held as endowment asset investments.

Taxation status

The University is an exempt charity within the meaning of the Trustee Investment and Charities (Scotland) Act 2005 and, as such, is a charity within the meaning of section 506(1) of the Income and Corporation Taxes Act 1988. The University is recognised as a charity by HM Revenue & Customs and is recorded on the index of charities maintained by the Office of the Scottish Charity Regulator (Charity No. SC021474). Accordingly, the University is potentially exempt from taxation in respect of income or capital gains received within categories covered by section 505 of ICTA 1988 or section 256 of the Taxation of Chargeable Gains Act 1992, to the extent that such income or gains are applied to exclusively charitable purposes. The University receives no similar exemption in respect of Value Added Tax.

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

Accounting for Retirement Benefits

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

Strathclyde Pension Fund

Pension scheme assets are measured using market values. For quoted securities the current bid price is taken as market value. Pension scheme liabilities are measured using a projected unit method and discounted at the current rate of return on a high quality corporate bond of equivalent term and currency to the liability.

The pension scheme surplus (to the extent that it is recoverable) or deficit is recognised in full. The movement in the scheme surplus/deficit is split between the income and expenditure account and, in the statement of total recognised gains and losses, actuarial gains and losses.

Scottish Teachers Superannuation Scheme and Universities Superannuation Scheme

While the University is a member of these defined benefit schemes, it is unable to identify its share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis and therefore, as required by FRS 17 'Retirement benefits', accounts for the scheme as if it were a defined contribution scheme. As a result, the amount charged to the University's income and expenditure account represents the contributions payable to the scheme in respect of the accounting period.

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

Provisions

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

Leases

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

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

Financial Statements

Consolidated Income and Expenditure Account

For the year ended 31 July 2011

	Note	2011 £000	2010 £000
Income			
Funding council grants	1	66,170	71,450
Funding council grants - land	1	-	700
Tuition fees and education contracts	2	31,348	28,961
Research grants and contracts	3	5,120	4,121
Other income	4	9,981	11,008
Endowment and investment income	5	893	343
Total income		113,512	116,583
Less: Share of income from joint venture		(1,460)	(1,325)
Net income		112,052	115,258
Expenditure			
Staff costs	6	70,263	72,836
Exceptional restructuring costs	6	4,745	3,254
Other operating expenses	7	29,856	32,301
Exceptional past service pension credit	14	-	(462)
Depreciation	9	4,261	4,132
Interest and other finance costs	8	-	309
Total expenditure	7	109,125	112,370
Surplus after depreciation of tangible assets at valuation and before taxation		2,927	2,888
Share of operating profit in joint venture	10	50	13
Surplus on continuing operations after depreciation of tangible assets at valuation and taxation		2,977	2,901
Transfer from accumulated income within endowment funds	11	41	38
Surplus for the year retained within general reserves		3,018	2,939

All items of income and expenditure arise from continuing operations.

Statement of Consolidated Historical Cost Surpluses

For the Year ended 31 July 2011

	Note	2011 £000	2010 £000
Surplus on continuing operations before taxation		2,977	2,901
Difference between historical cost depreciation and the actual charge for the year on the re-valued amount	16	1,335	985
Historical cost surplus for the year before and after taxation		<u><u>4,312</u></u>	<u><u>3,886</u></u>

Statement of Consolidated Total Recognised Gains and Losses

For the Year ended 31 July 2011

	Note	2011 £000	2010 £000
Surplus on continuing operations after depreciation of assets at valuation and disposal of assets and tax		2,977	2,901
Revaluation of fixed asset buildings	9	-	9,970
Revaluation of fixed asset investments		267	181
Actuarial gain in respect of pension scheme	25	1,089	8,391
Total gains and losses recognised in the year		<u><u>4,333</u></u>	<u><u>21,443</u></u>
Reconciliation:			
Opening reserves and endowments as restated		136,755	115,312
Total gains and losses recognised in the year		4,333	21,443
Closing reserves and endowments		<u><u>141,088</u></u>	<u><u>136,755</u></u>

Financial Statements

Balance Sheets

As at 31 July 2011

	Note	Consolidated		University	
		2011 £000	2010 £000	2011 £000	2010 £000
Fixed assets					
Tangible assets	9	143,747	147,179	143,747	147,179
Investments	10	2,735	2,474	3,245	2,884
		<u>146,482</u>	<u>149,653</u>	<u>146,992</u>	<u>150,063</u>
Endowment assets	11	<u>157</u>	<u>198</u>	<u>157</u>	<u>198</u>
Current assets					
Stocks		159	495	159	495
Debtors	12	9,839	10,372	10,077	10,488
Short term investments		24,400	18,050	24,400	18,050
Cash at bank and in hand		2,761	2,913	1,799	2,017
		<u>37,159</u>	<u>31,830</u>	<u>36,435</u>	<u>31,050</u>
Creditors: amounts falling due within one year	13	<u>(21,359)</u>	<u>(23,559)</u>	<u>(20,994)</u>	<u>(23,038)</u>
Net current assets		<u>15,800</u>	<u>8,271</u>	<u>15,441</u>	<u>8,012</u>
Total assets less current liabilities		<u>162,439</u>	<u>158,122</u>	<u>162,590</u>	<u>158,273</u>
Less: Provisions for liabilities	14	<u>(6,436)</u>	<u>(6,458)</u>	<u>(6,587)</u>	<u>(6,609)</u>
Net assets excluding pension liability		<u>156,003</u>	<u>151,664</u>	<u>156,003</u>	<u>151,664</u>
Net pension liability	25	<u>(3,111)</u>	<u>(4,973)</u>	<u>(3,111)</u>	<u>(4,973)</u>
Net assets including pension liability		<u>152,892</u>	<u>146,691</u>	<u>152,892</u>	<u>146,691</u>
Deferred capital grants	15	11,804	9,936	11,804	9,936
Endowments					
Expendable	11	107	149	107	149
Permanent	11	50	49	50	49
		<u>157</u>	<u>198</u>	<u>157</u>	<u>198</u>
Reserves					
Income and expenditure account excluding pension reserve	16	82,269	78,429	82,269	78,429
Pension reserve	16	<u>(3,111)</u>	<u>(4,973)</u>	<u>(3,111)</u>	<u>(4,973)</u>
Income and expenditure account including pension reserve		<u>79,158</u>	<u>73,456</u>	<u>79,158</u>	<u>73,456</u>
Revaluation reserve	16	61,773	63,101	61,773	63,101
		<u>140,931</u>	<u>136,557</u>	<u>140,931</u>	<u>136,557</u>
Total funds		<u>152,892</u>	<u>146,691</u>	<u>152,892</u>	<u>146,691</u>

The financial statements on pages 21 to 45 were approved by the University Court on 3 November 2011 and signed on its behalf by:

Mr Antony Brian
Chair of University Court

Professor Pamela Gillies
Principal and Vice-Chancellor

Mr David Beeby
Executive Director of Finance

Consolidated Cash Flow Statement

For the year ended 31 July 2011

	Note	2011 £000	2010 £000
Net cash inflow from operating activities	20	5,957	7,699
Returns on investments and servicing of finance	21	491	334
Capital expenditure and financial investment	22	(291)	(5,573)
Management of liquid resources	23	(6,350)	(5,150)
Decrease in cash in the year		<u><u>(193)</u></u>	<u><u>(2,690)</u></u>

Reconciliation of net cash flow to movement in net funds

For the Year ended 31 July 2011

	Note	2011 £000	2010 £000
Decrease in cash in the year		(193)	(2,690)
Increase in short term deposits		6,350	5,150
Movement in net funds in the year		<u>6,157</u>	<u>2,460</u>
Net funds at 1 August		21,161	18,701
Net funds at 31 July	24	<u><u>27,318</u></u>	<u><u>21,161</u></u>

Financial Statements

Notes to the Accounts

For the year ended 31 July 2011

	2011 £000	2010 £000
1 Scottish Funding Council grants		
Recurrent teaching grants	57,744	57,577
Research grants	3,311	2,978
Other grants	3,175	3,563
Capital investment funding	1,556	6,486
Deferred capital grants released:		
Buildings (note 15)	264	264
Land (note 15)	-	700
Equipment (note 15)	120	582
	<u>66,170</u>	<u>72,150</u>
	2011 £000	2010 £000
2 Tuition fees and education contracts		
UK and EU fees	16,641	17,433
Non-EU students	10,188	6,836
Part time students	4,519	4,692
	<u>31,348</u>	<u>28,961</u>
	2011 £000	2010 £000
3 Research grants and contracts		
Grants and contracts	<u>5,120</u>	<u>4,121</u>
This sum includes Industrial and Government-funded Research Grants and contracts. It excludes SFC funding for research shown in note 1.		
	2011 £000	2010 £000
4 Other income		
Residences, catering and conferences	2,446	2,425
Other university services	2,536	3,379
Other income	3,539	3,879
Income from joint venture	1,460	1,325
	<u>9,981</u>	<u>11,008</u>

Notes to the Accounts (continued)

For the year ended 31 July 2011

	2011 £000	2010 £000
5 Endowment and investment income		
Income from expendable endowments	180	63
Income from permanent endowments	1	1
Other interest receivable	328	279
Net return on pension scheme (note 25)	384	-
	<u>893</u>	<u>343</u>

	2011 £000	2010 £000
6 Staff costs		
Wages and salaries	57,942	60,453
Social security costs	4,866	4,786
Other pension costs	7,455	7,597
	<u>70,263</u>	<u>72,836</u>

	2011 £000	2010 £000
Analysed as:		
Academic	44,179	46,803
Administrative	20,928	20,765
Technical	2,355	2,573
Others	2,801	2,695
	<u>70,263</u>	<u>72,836</u>

The Court approved proposals in June 2011 to restructure administration across the University which will result in lower staffing costs commencing from August 2011, with the appropriate restructuring costs as set out in this note.

	2011 £000	2010 £000
Emoluments of the Principal and Vice-Chancellor		
Salary	211	182
Benefits in kind	<u>2</u>	<u>1</u>
	<u>213</u>	<u>183</u>
Pension contributions to USS	<u>34</u>	<u>29</u>

The Principal and Vice-Chancellor elected to forgo her performance related payment of £26,375, (2009/10 £22,772 forgone).

Financial Statements

Notes to the Accounts (continued)

For the year ended 31 July 2011

	2011 Number	2010 Number
6 Staff costs (continued)		
Average staff numbers by major category		
Academic	739	780
Administrative	546	554
Technical	55	60
Others	119	118
	<u>1,459</u>	<u>1,512</u>
	2011 £000	2010 £000
Remuneration of other higher paid staff including non-superannuable elements, but excluding employers' pensions contributions		
£70,000 - £79,999	16	17
£80,000 - £89,999	5	11
£90,000 - £99,999	4	4
£100,000 - £109,999	1	2
£110,000 - £119,999	3	3
£120,000- £129,999	2	-
£130,000- £139,999	2	2
£140,000- £149,999	-	1
£150,000- £159,999	-	-
£160,000- £169,999	1	-
£170,000- £179,999	-	-
£180,000- £189,999	-	1
	2011 £000	2010 £000
Aggregate compensation for loss of office paid to former senior post holders/higher paid employees		
Compensation paid to former post holders	<u>477</u>	<u>133</u>
Exceptional restructuring costs		
During the year the University operated a Voluntary Early Release Scheme open to all staff. The breakdown of that scheme is as follows:		
	2011 £000	2010 £000
Academic	2,541	2,380
Administrative	1,961	759
Technical	66	93
Others	116	-
Associated costs (non payroll)	61	22
	<u>4,745</u>	<u>3,254</u>

7 Analysis of Expenditure by activity

	Staff costs £000	Exceptional restructuring costs £000	Other operating costs £000	Depreciation £000	2011 Total £000	2010 Total £000
Academic departments	44,651	3,156	6,002	406	54,215	57,305
Academic services	9,321	461	6,725	178	16,685	16,350
Research grants & contracts	2,665	-	2,349	-	5,014	4,303
Residences, catering & conferences	205	-	623	300	1,128	1,298
Premises	3,751	215	5,378	2,929	12,273	15,686
Administration and central services	9,670	852	7,507	377	18,406	17,053
Other expenses	-	61	1,272	71	1,404	375
Total per I & E account	<u>70,263</u>	<u>4,745</u>	<u>29,856</u>	<u>4,261</u>	<u>109,125</u>	<u>112,370</u>

Other operating expenses (including VAT) include:

	2011 £000	2010 £000
Auditor's remuneration		
External auditors remuneration in respect of audit services	52	46
External auditors remuneration in respect of non-audit services	-	-
Internal auditors remuneration in respect of audit services	162	97
Internal auditors remuneration in respect of non-audit services	<u>-</u>	<u>-</u>
	2011 £000	2010 £000
Operating lease rentals		
Land and buildings	1,065	960
Other	<u>143</u>	<u>208</u>

8 Interest and other finance costs

	2011 £000	2010 £000
Net finance cost on pension scheme (note 25)	-	309
	<u>-</u>	<u>309</u>

Financial Statements

Notes to the Accounts (continued)

For the year ended 31 July 2011

9 Tangible assets Consolidated & University

At 31 July 2010, in accordance with FRS 11 'Impairment of Fixed Assets and Goodwill' and FRS 15 'Tangible Fixed Assets' the University instructed Ryden LLP, Chartered Surveyors, to carry out an interim valuation of the University's buildings using the depreciated replacement cost method. The valuation concluded that given the specialised nature, use, size and the refurbishment programme applied to the buildings there was no impairment in value as at 31 July 2010 and that there would be an increase in the value of the University's buildings.

At 31 July 2011, in accordance with FRS 11 'Impairment of Fixed Assets and Goodwill' the values of the buildings have been compared to their recoverable amounts, represented by their value in use to the University. Based on indicators available and given the specialised nature, use and size of the buildings, the University is satisfied that there has not been a fall in value that would result in an impairment loss.

The University does not hold any heritage assets, and so while FRS 30 'Heritage Assets' was applicable for the first time in 2010/11, this has no impact on the financial statements.

	Land & Buildings £000	Fixtures & Fittings £000	Equipment & Furniture £000	Total £000
Valuation/Cost				
At 1 August 2010	145,471	1,472	12,567	159,510
Additions	127	26	676	829
Disposals	-	-	(488)	(488)
At 31 July 2011	145,598	1,498	12,755	159,851
Depreciation				
At 1 August 2010	(159)	(1,093)	(11,079)	(12,331)
Charge for year	(3,212)	(86)	(963)	(4,261)
Disposals	-	-	488	488
At 31 July 2011	(3,371)	(1,179)	(11,554)	(16,104)
Net Book Value				
At 31 July 2011	142,227	319	1,201	143,747
At 31 July 2010	145,312	379	1,488	147,179

At 31 July 2011, freehold land and buildings included £9.9m (2010: £9.9m) in respect of freehold land and is not depreciated.

Land and buildings with a cost of £2.5m (2010: £2.5m) and accumulated depreciation of £0.15m (2010: £0.07m) which 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 £44.4m 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.

10 Investments

	Consolidated		University	
	2011 £000	2010 £000	2011 £000	2010 £000
Treasury index linked stocks	2,652	2,391	2,652	2,391
Subsidiary undertakings at cost	-	-	510	410
Other investments	83	83	83	83
	<u>2,735</u>	<u>2,474</u>	<u>3,245</u>	<u>2,884</u>

The Treasury index linked stocks are earmarked to provide the enhanced element of the pensions to those employees who retired in 1995/96 under the Scottish Higher Education Funding Council "New Blood" scheme. The historical cost of these investments was £1,690k.

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 2011 £772k Gift Aid is payable by the Company to the University (2010 £641k).

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

The University owns 100% of GCU Academy Limited incorporated on 5 August 2010. 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 2011 £9k Gift Aid is payable by the GCU Academy to the University (2010 £nil).

The "Other Investments" at 31 July 2011 represents an investment in Biopta Limited and Glycologic Limited. Biopta Limited was formed in 2002 as a spinout company of the University and it provides in vitro pharmacology services and instruments. Glycologic Limited was formed in 1999 and its principal activity is the provision to industry of systems for the delivery of pharmaceuticals, clinical nutrients and drugs.

Joint Venture

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

On 28 May 2008 GCU INTO Limited entered into a loan agreement to lend up to £350,000 to INTO Scotland LLP, at an interest rate of 2% above the base lending rate of Royal Bank of Scotland plc. At 31 July 2011 £100,000 of the loan had been drawn down (2010 £100,000). HMRC have confirmed that the investment of £500,000 is a qualifying investment for tax purposes, as the £500,000 is always to be used to advance Education.

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Notes to the Accounts (continued)

For the year ended 31 July 2011

10 Investments (continued)

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

GCU, GCU INTO Limited and INTO Scotland LLP have financial years that end on 31 July. In line with planned projections of INTO Scotland LLP, the University's share in its joint venture is as follows:

	2011 £000	2010 £000
Income and Expenditure Account		
Income	1,460	1,325
Share of operating profit	50	13
Balance Sheet		
Fixed Assets	91	77
Current Assets	647	883
	<u>738</u>	<u>960</u>
Liabilities: due within one year	(866)	(1,138)
Liabilities: due after more than one year	(100)	(100)
	<u>(966)</u>	<u>(1,238)</u>
Share of net liabilities	<u>(228)</u>	<u>(278)</u>

In accordance with FRS 9 'Associates and Joint Ventures' the share in net liabilities as at 31 July 2011 has been disclosed in Note 14 Provisions for liabilities.

11 Endowments	Unrestricted permanent £000	Restricted permanent £000	Total permanent £000	Restricted expendable £000	2011 Total £000	2010 Total £000
At 1 August						
Capital	14	26	40	142	182	206
Accumulated Income	-	9	9	7	16	30
	<u>14</u>	<u>35</u>	<u>49</u>	<u>149</u>	<u>198</u>	<u>236</u>
New endowments	-	-	-	-	-	-
Income	-	1	1	180	181	64
Expenditure	-	-	-	(222)	(222)	(102)
	<u>-</u>	<u>1</u>	<u>1</u>	<u>(42)</u>	<u>(41)</u>	<u>(38)</u>
At 31 July	<u>14</u>	<u>36</u>	<u>50</u>	<u>107</u>	<u>157</u>	<u>198</u>
Represented by:						
Capital	14	26	40	100	140	182
Accumulated income	-	10	10	7	17	16
	<u>14</u>	<u>36</u>	<u>50</u>	<u>107</u>	<u>157</u>	<u>198</u>
Represented by:						
Cash at bank held for endowment funds					<u>157</u>	<u>198</u>

12 Debtors	Consolidated		University	
	2011 £000	2010 £000	2011 £000	2010 £000
Amount falling due within one year:				
Debtors	3,569	4,121	3,153	3,574
Amounts owing from subsidiary companies	-	-	861	706
Prepayments and accrued income	2,770	2,751	2,563	2,708
Debtors falling due after more than one year	3,500	3,500	3,500	3,500
	<u>9,839</u>	<u>10,372</u>	<u>10,077</u>	<u>10,488</u>

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Notes to the Accounts (continued)

For the year ended 31 July 2011

13 Creditors: amounts falling due within one year

	Consolidated		University	
	2011 £000	2010 £000	2011 £000	2010 £000
Trade creditors	2,757	3,838	2,735	3,802
Social security and other taxation payable	1,528	1,607	1,528	1,607
Amounts owing to subsidiary companies	-	-	4	-
Accruals and deferred income	17,074	18,114	16,727	17,629
	<u>21,359</u>	<u>23,559</u>	<u>20,994</u>	<u>23,038</u>

14 Provisions for liabilities Consolidated

	Into Scotland LLP £000	Other £000	Unfunded Pensions £000	Total £000
As at 1 August 2010	278	216	5,964	6,458
Utilised in year	-	-	(397)	(397)
Transfer from income & expenditure account	-	30	395	425
Transfer to investments in joint venture	(50)	-	-	(50)
At 31 July 2011	<u>228</u>	<u>246</u>	<u>5,962</u>	<u>6,436</u>

Provisions for liabilities University

	Other £000	Unfunded Pensions £000	Total £000
As at 1 August 2010	645	5,964	6,609
Utilised in year	-	(397)	(397)
Transfer (to)/ from income & expenditure account	(20)	395	375
At 31 July 2011	<u>625</u>	<u>5,962</u>	<u>6,587</u>

The Into Scotland LLP provision represents the share of deficiency in net assets within a joint venture (see note 10).

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

The pension provision represents future pension liabilities in respect of former employees who retire under early retirement schemes. These include liabilities inherited from University pre-merger institutions (£2.5m) and SFC new blood schemes 1994/95 and 1995/96 (£1.6m).

14 Provisions (continued)

A valuation of the existing pension provision was carried out by Hymans Robertson LLP, an independent firm of actuaries at 31 July 2011. The net interest rate applied was 2.7% (2010: 2.8%). In 2009/10, following the Chancellor's budget statement on 22 June 2010, the calculation of future pension increases was linked to the Consumer Price Index (CPI) and not the Retail Price Index (RPI). This effect of this change in 2009/10 came through as a past service pension credit £462k in respect of the unfunded pension provision.

15 Deferred capital grants

	Consolidated & University		
	Buildings £000	Equipment £000	Total £000
At 1 August 2010			
Funding Council	9,795	93	9,888
Other	-	48	48
Total	<u>9,795</u>	<u>141</u>	<u>9,936</u>
Cash receivable			
Funding Council	<u>2,164</u>	<u>88</u>	<u>2,252</u>
Released to income and expenditure account			
Funding Council	(264)	(88)	(352)
Other	-	(32)	(32)
Total	<u>(264)</u>	<u>(120)</u>	<u>(384)</u>
At 31 July 2011			
Funding Council	11,695	93	11,788
Other	-	16	16
Total	<u>11,695</u>	<u>109</u>	<u>11,804</u>

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Notes to the Accounts (continued)

For the year ended 31 July 2011

16 Reserves

	Consolidated		University	
	2011 £000	2010 £000	2011 £000	2010 £000
Income and expenditure reserve				
As at 1 August	73,456	61,141	73,456	61,582
Surplus retained	3,018	2,939	3,018	2,498
Transfer from revaluation reserve to income and expenditure account	1,335	985	1,335	985
Cumulative revaluation written back on fixed asset investment disposals	260	-	260	-
Actuarial gain in pension scheme	1,089	8,391	1,089	8,391
As at 31 July	<u>79,158</u>	<u>73,456</u>	<u>79,158</u>	<u>73,456</u>

Represented by:

	Consolidated		University	
	2011 £000	2010 £000	2011 £000	2010 £000
Income and expenditure account				
As at 1 August	78,429	74,412	78,429	74,853
Surplus retained	3,018	2,939	3,018	2,498
Cumulative revaluation written back on fixed asset investment disposals	260	-	260	-
Transfer of amount equivalent to additional depreciation of fixed assets	1,335	985	1,335	985
Transfer (to)/ from pension reserve	(773)	93	(773)	93
As at 31 July	<u>82,269</u>	<u>78,429</u>	<u>82,269</u>	<u>78,429</u>

	Consolidated		University	
	2011 £000	2010 £000	2011 £000	2010 £000
Pension reserve				
As at 1 August	(4,973)	(13,271)	(4,973)	(13,271)
Movement in year:				
Current service cost	(2,652)	(2,786)	(2,652)	(2,786)
Employer contributions	3,136	3,198	3,136	3,198
Contributions in respect of unfunded benefits	39	27	39	27
Past service cost	(134)	(56)	(134)	(56)
Loss on curtailments	-	(167)	-	(167)
Net interest return on assets (note 5)	384	(309)	384	(309)
Transfer from/ (to) income and expenditure reserve	773	(93)	773	(93)
Actuarial gain in pension scheme	1,089	8,391	1,089	8,391
As at 31 July	<u>(3,111)</u>	<u>(4,973)</u>	<u>(3,111)</u>	<u>(4,973)</u>

16 Reserves (continued)

	Consolidated		University	
	2011 £000	2010 £000	2011 £000	2010 £000
Revaluation reserve				
As at 1 August	63,101	53,935	63,101	53,935
Cumulative revaluation written back on fixed asset investment disposals	(260)	-	(260)	-
Transfer of amount equivalent to additional depreciation of fixed assets	(1,335)	(985)	(1,335)	(985)
Revaluation of fixed asset buildings	-	9,970	-	9,970
Revaluation of fixed asset investments	267	181	267	181
As at 31 July	<u>61,773</u>	<u>63,101</u>	<u>61,773</u>	<u>63,101</u>

17 Lease obligations

Annual rentals under operating leases commitments are as follows:

	2011 £000	2010 £000
Land and buildings		
Expiring within two to five years	156	-
Expiring over five years	898	904
	<u>1,054</u>	<u>904</u>
Other		
Expiring within one year	13	-
Expiring within two to five years	55	76
Expiring in over five years	50	74
	<u>118</u>	<u>150</u>

18 Capital commitments

	2011 £000	2010 £000
Commitments contracted	<u>7,026</u>	<u>5,922</u>

19 Contingent liabilities

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

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Notes to the Accounts (continued)

For the year ended 31 July 2011

20	Reconciliation of consolidated operating surplus to net cash inflow from operating activities		
		2011	2010
		£000	£000
	Surplus after depreciation of assets, disposal of assets and taxation	2,977	2,901
	Depreciation	4,261	4,132
	Pension costs less contribution payable	(389)	(216)
	Exceptional past service pension credit	-	(462)
	Deferred capital grants released to income	(384)	(1,546)
	Share of operating profit in joint venture	(50)	(13)
	Interest payable	-	309
	Endowment & investment income	(893)	(343)
	Loss on sale of investments	5	-
	Decrease/ (Increase) in stocks	336	(164)
	Decrease/ (Increase) in debtors	558	(719)
	(Decrease)/ Increase in creditors	(492)	4,051
	Increase/ (Decrease) in provisions	28	(231)
	Net cash inflow from operating activities	<u>5,957</u>	<u>7,699</u>
21	Returns on investments and servicing of finance		
		2011	2010
		£000	£000
	Income from endowments	181	64
	Other interest received	310	270
	Net cash inflow from returns on investment and servicing of finance	<u>491</u>	<u>334</u>
22	Capital expenditure and financial investments		
		2011	2010
		£000	£000
	Tangible assets acquired	(996)	(5,029)
	Payments made to acquire fixed asset investments	824	-
	Receipts from sale of investments	(825)	-
	Deferred capital grants	706	(544)
	Net cash outflow in respect of capital expenditure and financial investment	<u>(291)</u>	<u>(5,573)</u>
23	Management of liquid resources		
		2011	2010
		£000	£000
	Increase in deposits	(6,350)	(5,150)
		<u>(6,350)</u>	<u>(5,150)</u>

24 Analysis of changes in net funds

	At 1 August £000	Cash flows £000	At 31 July £000
Cash at bank and in hand	2,913	(152)	2,761
Endowment assets	198	(41)	157
	3,111	(193)	2,918
Short term investments	18,050	6,350	24,400
	<u>21,161</u>	<u>6,157</u>	<u>27,318</u>

25 Pension schemes

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

The University contribution rates on eligible salary costs are:

	1/8/2010 to 31/3/2011	1/4/2011 to 31/7/2011
Academic staff STSS	14.9%	14.9%
Administrative and Manual Staff SPF	18.2%	19.3%
Academic staff USS	16.0%	16.0%

	STSS 31 March 2005	SPF 31 March 2008	USS 31 March 2008
Date of last actuarial review/valuation:			
Rate of return on investments in excess of rate of increase in salaries	2%	1.5%	4.3%
Rate of return on investments in excess of rate of increase in pensions	3.5%	2.5%	3.3%
Market value of assets at date of last valuation	£13,030m	£9,479m	£28,843m
Proportion of members benefits covered by actuarial valuation	-	95%	71%

	2011 £000	2010 £000
The total pension costs for the year were:		
Normal contribution to:		
STSS – contributions paid	4,105	4,346
SPF – charge to income and expenditure account	2,786	3,009
USS – contributions paid	543	411
	<u>7,434</u>	<u>7,766</u>

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Notes to the Accounts (continued)

For the year ended 31 July 2011

25 Pension schemes (continued)

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

The Strathclyde Pension Fund

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

A valuation of the University's benefit obligations in respect of its members has been estimated by a qualified independent actuary based on the 31 March 2008 valuation results, rolled forward onto the FRS 17 assumptions at 31 July 2011. The major assumptions used are shown below.

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

Financial assumptions	2011	2010
Pension increase	2.70%	2.90%
Salary increase rate*	4.75%	4.65%
Expected return on assets	6.40%	6.60%
Discount rate	5.40%	5.70%

*The salary increase assumption is 1% p.a. for two years returning to each respective long term assumption detailed above thereafter.

Mortality assumptions

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

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

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

	2011		2010	
	Long term rate of return %	Value £000	Long term rate of return %	Value £000
Equities	7.0	62,404	7.2	53,863
Bonds	4.7	10,674	4.8	10,054
Property	5.1	4,927	5.3	5,027
Cash	4.0	4,106	4.4	2,873
		<u>82,111</u>		<u>71,817</u>

25	Pension schemes (continued)		
		2011	2010
		£000	£000
	Fair value of plan assets	82,111	71,817
	Present value of funded defined benefit obligations	(84,784)	(76,511)
	Present value of unfunded defined benefit obligations	(438)	(279)
	Net liability	<u>(3,111)</u>	<u>(4,973)</u>
		2011	2010
		£000	£000
	Movements in fair value of plan assets		
	At 1 August	71,817	58,906
	Expected return on plan assets	4,822	4,099
	Actuarial gains	2,929	5,994
	Contributions by the employer	3,136	3,198
	Contributions in respect of unfunded benefits	39	27
	Contributions by members	1,166	1,179
	Unfunded benefits paid	(39)	(27)
	Benefits paid	(1,759)	(1,559)
	At 31 July	<u>82,111</u>	<u>71,817</u>
		2011	2010
		£000	£000
	Movements in present value of defined benefit obligations		
	At 1 August	76,790	72,177
	Current service cost	2,652	2,786
	Past service costs	134	56
	Loss on curtailments	-	167
	Interest cost	4,438	4,408
	Actuarial losses/ (gains)	1,840	(2,397)
	Contributions by members	1,166	1,179
	Estimated unfunded benefits paid	(39)	(27)
	Benefits paid	(1,759)	(1,559)
	At 31 July	<u>85,222</u>	<u>76,790</u>
		2011	2010
		£000	£000
	Expense recognised in the income and expenditure account		
	Current service cost	2,652	2,786
	Past service cost	134	56
	Loss on curtailments	-	167
	Total operating charge	<u>2,786</u>	<u>3,009</u>
	Expected return pension scheme assets	(4,822)	(4,099)
	Interest cost	4,438	4,408
	Total net finance return/(charge)	<u>(384)</u>	<u>309</u>
	Total pension cost recognised in the income and expenditure account	<u>2,402</u>	<u>3,318</u>

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Notes to the Accounts (continued)

For the year ended 31 July 2011

25 Pension schemes (continued)

	2011 £000	2010 £000
Statement of total recognised gains and losses (STRGL)		
Actuarial gains	<u>1,089</u>	<u>8,391</u>

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

History of plans:

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

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

The University expects to contribute approximately £3,402k to the Strathclyde Pension Fund in 2011/12.

The Scottish Teachers Superannuation Scheme

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

The latest full actuarial valuation of the STSS received from the Scottish Public Pension Agency is as at 31 March 1996. However, an actuarial review as at 31 March 2005 was issued in June 2008 by the Government Actuary. This review shows assets of £13,030m and the review assumes that the investment rate of return would be 2% in real terms and that pensions would increase by 3.5% per annum in real terms. There were no outstanding contributions at the balance sheet date (2010: £368k).

Universities Superannuation Scheme (USS)

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

25 Pension schemes (continued)

Universities Superannuation Scheme (USS) (continued)

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

The latest triennial actuarial valuation of the scheme was at 31 March 2008. This was the first valuation for USS under the new scheme-specific funding regime introduced by the Pensions Act 2004, which requires schemes to adopt a statutory funding objective, which is to have sufficient and appropriate assets to cover their technical provisions. The actuary also carries out regular reviews of the funding levels. In particular, he carries out a review of the funding level each year between triennial valuations and details of his estimate of the funding level at 31 March 2011 are also included in this note.

The triennial valuation was carried out using the projected unit method. The assumptions which have the most significant effect on the result of the valuation are those relating to the rate of return on investments (i.e. the valuation rate of interest), the rates of increase in salary and pensions and the assumed rates of mortality. The financial assumptions were derived from market yields prevailing at the valuation date. An "inflation risk premium" adjustment was also included by deducting 0.3% from the market-implied inflation on account of the historically high level of inflation implied by government bonds (particularly when compared to the Bank of England's target of 2% for CPI which corresponds broadly to 2.75% for RPI per annum).

To calculate the technical provisions, it was assumed that the valuation rate of interest would be 6.4% per annum (which includes an additional assumed investment return over gilts of 2% per annum), salary increases would be 4.3% per annum (plus an additional allowance for increases in salaries due to age and promotion reflecting historic scheme experience, with a further cautionary reserve on top for past service liabilities) and pensions would increase by 3.3% per annum.

Standard mortality tables were used as follows:

Male members' mortality	PA92 MC YoB tables – rated down 1 year
Female members' mortality	PA92 MC YoB tables – No age rating

Use of the mortality tables reasonably reflects the actual USS experience but also provides an element of conservatism to allow for further improvements in mortality rates.

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Notes to the Accounts (continued)

For the year ended 31 July 2011

25 Pension schemes (continued)

Universities Superannuation Scheme (USS) (continued)

At the valuation date, the value of the assets of the scheme was £28,842.6 million and the value of the scheme's technical provisions was £28,135.3 million indicating a surplus of £707.3 million. The assets therefore were sufficient to cover 103% of the benefits which had accrued to members after allowing for expected future increases in earnings.

The actuary also valued the scheme on a number of other bases as at the valuation date. On the scheme's historic gilts basis, using a valuation rate of interest in respect of past service liabilities of 4.4% per annum (the expected return on gilts) the funding level was approximately 71%. Under the Pension Protection Fund regulations introduced by the Pensions Act 2004 the Scheme was 107% funded; on a buy-out basis (ie assuming the Scheme had discontinued on the valuation date) the assets would have been approximately 79% of the amount necessary to secure all the USS benefits with an insurance company; and using the FRS17 formula as if USS was a single employer scheme, using a AA bond discount rate of 6.5% per annum based on spot yields, the actuary estimated that the funding level at 31 March 2008 was 104%.

The technical provisions relate essentially to the past service liabilities and funding levels, but it is also necessary to assess the ongoing cost of newly accruing benefits. The cost of future accrual was calculated using the same assumptions as those used to calculate the technical provisions except that the valuation rate of interest assumed asset outperformance over gilts of 1.7% per annum (compared to 2% per annum for the technical provisions) giving a discount rate of 6.1% per annum; also the allowance for promotional salary increases was not as high. Analysis has shown very variable levels of growth over and above general pay increases in recent years, and the salary growth assumption built into the cost of future accrual is based on more stable, historic, salary experience. However, when calculating the past service liabilities of the scheme, a cautionary reserve has been included, in addition, on account of the variability mentioned above.

The scheme-wide contribution rate required for future service benefits alone at the date of the valuation was 16% of pensionable salaries and the trustee company, on the advice of the actuary, increased the institution contribution rate to 16% of pensionable salaries from 1 October 2009.

Since 31 March 2008 global investment markets have continued to fluctuate and as at 31 March 2011 the market's assessment of inflation has increased slightly. The government has also announced a change to the inflation measure used in determining the "Official Pensions Index" from the Retail Prices Index to the Consumer Prices Index. The actuary has taken this all into account in his funding level estimates at 31 March 2011 by reducing the assumption for pension increases from 3.3% pa to 2.9% pa. The actuary has estimated that the funding level as at 31 March 2011 under the scheme specific funding regime had fallen from 103% to 98% (a deficit of circa £700 million). Over the past twelve months, the funding level has improved from 91%, as at 31 March 2010 to 98%. This estimate is based on the funding level at 31 March 2008, adjusted to reflect the fund's actual investment performance over the three years and changes in market conditions (market conditions affect both the valuation rate of interest and also the inflation assumption which in turn impacts on the salary and pension increase assumptions). The next formal valuation is as at 31 March 2011 and this will incorporate updated assumptions agreed by the trustee company.

With effect from 1 October 2011, new joiners to the scheme will join the new revalued benefits section rather than the existing final salary section. This change will have an impact, expected to be positive, on the future funding levels.

25 Pension schemes (continued)**Universities Superannuation Scheme (USS) (continued)**

On the FRS17 basis, using an AA bond discount rate of 5.5% per annum based on spot yields, the actuary estimated that the funding level at 31 March 2011 was 86%. An estimate of the funding level measured on a buy-out basis at that date was approximately 54%.

Surpluses or deficits which arise at future valuations may impact on the institution's future contribution commitment. A deficit may require additional funding in the form of higher contribution requirements, where a surplus could, perhaps, be used to similarly reduce contribution requirements.

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

The next formal triennial actuarial valuation is as at 31 March 2011 and will incorporate allowance for scheme benefit changes and any changes the trustee makes to the underlying actuarial assumptions. The contribution rate will be reviewed as part of each valuation and may be reviewed more frequently. At 31 March 2011, USS had over 142,000 active members and the institution had 58 active members participating in the scheme. The total pension cost for the institution was £543k (2010: £411k). There were no outstanding contributions at the balance sheet date.

Financial Statements

Notes to the Accounts (continued)

For the year ended 31 July 2011

26 Disclosure of related party transactions

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

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

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

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

27 Childcare and hardship fund

	Childcare Fund £000	Hardship Fund £000	Total £000
At 1 August 2010	4	89	93
Allocation received in year	346	977	1,323
Expenditure	(88)	(1,039)	(1,127)
Repaid by clawback	(27)	(131)	(158)
Virements	(201)	201	-
At 31 July 2011	34	97	131

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

28 Post balance sheet events

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

29 Subsidiary undertakings

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

Company	Principal Activity
Glasgow Caledonian University Company Limited	The provision of training, consultancy and research
GCU Nominee Company	Ownership of Heatherbank Museum assets
GCU INTO Limited	Holds University share in INTO Scotland LLP
GCU Academy Limited (incorporated 5 August 2010)	The provision of courses, designed specifically for individual organisations, which provide a university level education leading to a qualification

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