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## University's Professional Advisors

### Bankers

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167-201 Argyle Street  
Glasgow  
G2 8BU

Ernst & Young LLP (2014/15)  
Chartered Accountants  
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5 George Square  
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G2 1DY

### External Auditor

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

### Solicitor

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15 Atholl Crescent  
Edinburgh  
EH3 8HA

### Internal Auditor

PricewaterhouseCoopers LLP  
Chartered Accountants  
141 Bothwell Street  
Glasgow  
G2 7EQ

# Introduction from the Principal and Vice-Chancellor



This has been another hugely successful year for our University, in which we have taken significant strides forward as an institution and continued to deliver on our social mission, despite the on-going uncertainty of the external environment. Our sound financial model has been highlighted by an increase in our surplus and turnover. It is these solid foundations that will allow us to invest for growth, and guarantee the excellence of our education, research, and student experience.

In particular, our prudent financial planning allowed us to launch our ambitious £30m Heart of the Campus project. We appointed Robertson Construction to deliver the redevelopment of our campus, and their efforts to transform our estate remain on time and on budget. We continued to focus on our overall sustainability, and in partnership with our catering supplier 'Encore' we received an award in recognition of our recycling efforts. Over 90% of our waste was recycled and we sent no material to land fill in the last year.

Our partnership approach is reflected in our business development activities. In conjunction with Scottish and Southern Energy, the SSE Business Academy recruited talented people to support key areas of SSE's expanding business and accelerated the development of employees with management potential. Our Business Academy approach also flourished in South Africa, where we worked in partnership with The University of Johannesburg and the Institution of Railway Operators to deliver a BSc in Railway Operations Management by Learning Contract to South Africa's largest freight

rail organisation, Transnet Freight Rail. We had a positive impact on both businesses and workers, through focused knowledge and capacity building programmes, at home and abroad.

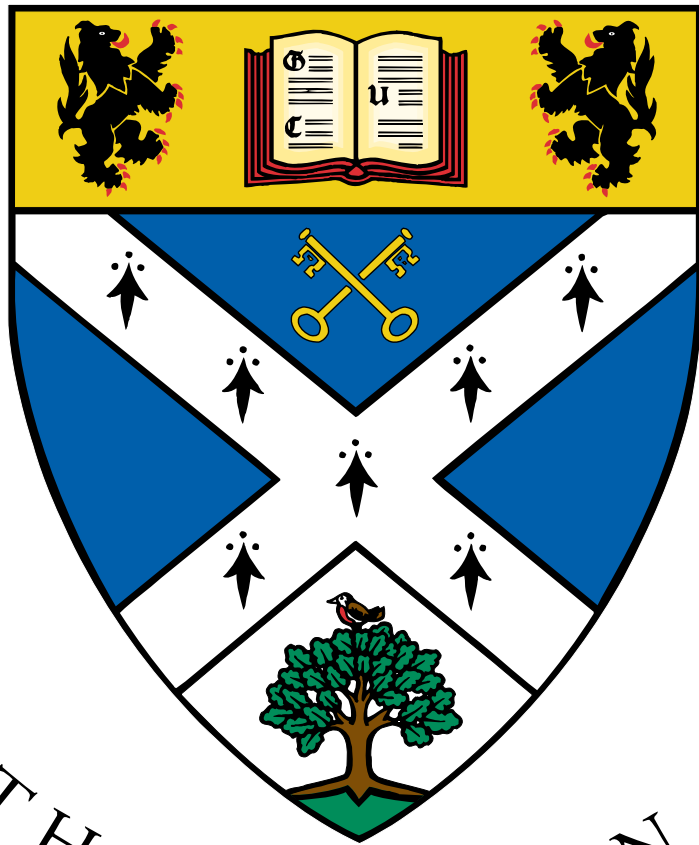
In the last year, we were the first University in the UK to open a base in New York. This permanent base in one of the most buoyant higher education markets, and economically active cities in the world, opened the door to a distinctive range of opportunities to diversify our income. In addition to our thriving GCU London base, GCU boasts a unique three campus model, each offering varied potential streams of revenue.

As we prepare to reach another milestone and launch our new 2020 strategy, these Annual Financial Statements underline that we do so from a position of financial stability and strength. With a sustainable financial model in place, we will be able to further enhance the abilities of our staff and students, and reaffirm our commitment to our University's social mission, to work for the common good.

A handwritten signature in black ink, reading 'Pamela Gillies'. The signature is fluid and cursive, with a horizontal line underneath.

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

GLASGOW CALEDONIAN UNIVERSITY  
FOR THE COMMON WEAL



# Operating and Financial Review

## Key Financial Highlights

	2014 £000	2013 £000
Income	116,752	111,688
Movement in the year	5%	5%

Expenditure	(113,151)	(109,930)
Movement in the year	(3%)	(5%)

Surplus retained for the year*	3,753	1,898
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Cash at bank, deposits and endowments	35,761	30,980
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Net assets excluding pension liability	186,796	184,453
Net assets including pension liability	172,500	177,598

Cashflow from operations	9,143	5,629
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	2014	2013
Student FTE's	13,317	13,154
Staff FTE's	1,415	1,391

\*After share of operating profit in joint venture and transfer to endowment funds.

## Management

The University is led by the Principal and Vice-Chancellor and the Executive team. The Executive team comprises the Principal, Deputy Vice-Chancellor, four Pro Vice-Chancellor & Vice Principals, the Chief Financial Officer & Vice Principal (Infrastructure), the University Secretary & Vice Principal (Governance) and the Vice President GCU New York.

Study and Research are grouped into Academic Schools and Research Institutes and are supported by a number of Learning, Teaching and Infrastructure Services.

The Academic Schools are the cornerstones of Academic life at the University:

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

The Research Institutes drive and support innovation:

- Institute for Society and Social Justice
- Institute for Applied Health and Research
- Institute for Sustainable Engineering and Technology Research

The Executive team contributes to strategic policy and decision making relating to all areas within their School or Learning, Teaching and Infrastructure Service and to the wider University.

## Corporate Strategy

The University is committed to delivering its mission to work for the common good, with delivering access and excellence lying at the heart of this mission. The University is value orientated and goal directed and the Strategy 2015 lays out how the University will achieve the goals and the key performance indicators that will be used to measure and guide its endeavours.

The strategic goals in the Strategy 2015 are as follows:

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

The development of the Strategy 2020 is at an advanced stage and will be underpinned by a set of underlying strategies in the key areas of learning, research, internationalisation and business development, enterprise and innovation. A strategic framework, supporting the delivery of the institutional goals is being developed incorporating:

- High-level strategic goals and key performance indicators, outlining the strategic direction for GCU to 2020, key priorities and institutional objectives
- University-wide supporting strategies, performance measures and implementation/resourcing plans, outlining how each strategic area will contribute to achieving the high-level goals
- School strategies and implementation plans, outlining the strategic direction for each of the three Schools in relation to the University-wide strategies and the support they will require to deliver their objectives
- Underpinning professional services operational plans, outlining how each of the professional services areas will support the delivery of the School plans and University-wide strategies.

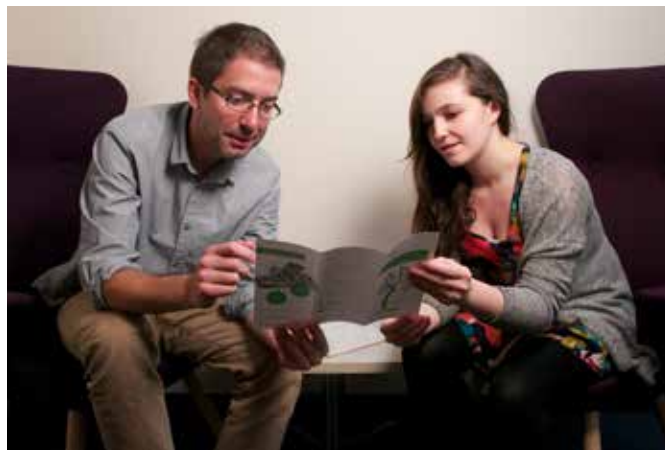


Photo: Student Support Services is one of many that supports University-wide strategies.



**Photo:** Chancellor Professor Muhammad Yunus with Principal and Vice-Chancellor Professor Pamela Gillies. Student President Michael Stephenson.

## 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 18 members and is drawn from people who have experience of, and have shown capacity in, industrial, commercial or employment matters or in the practice of any profession. The appointed governor membership must maintain an overall majority on the University Court. The Principal and Vice-Chancellor and the President of the Students' Association are Governors ex officio. Three staff governors are elected; one by Senate from among the members of Senate, one by the academic staff from among the members of such staff, and one by the non-academic staff from among the members of such staff. The University Court currently comprises 14 appointed governors; two governors ex officio and three staff governors.

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

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

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

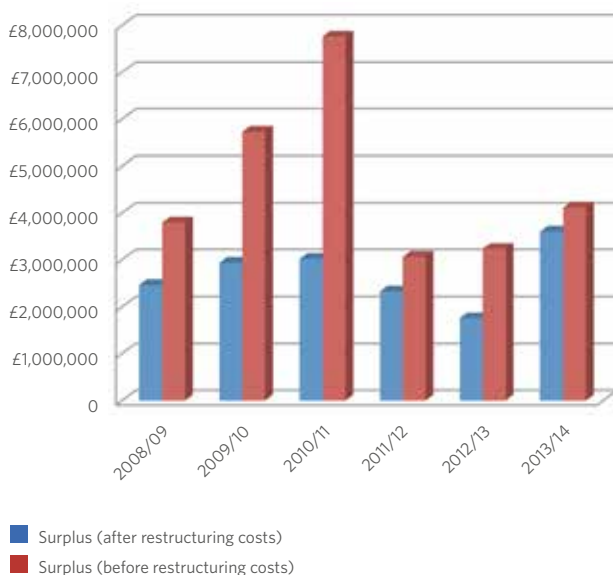
The full statement of corporate governance arrangements, Court's responsibilities and membership is detailed within these financial statements.

## Scope of Financial Statements

The financial statements have been prepared on a consolidated basis and include the results for the University and its subsidiary companies as set out within Note 28.

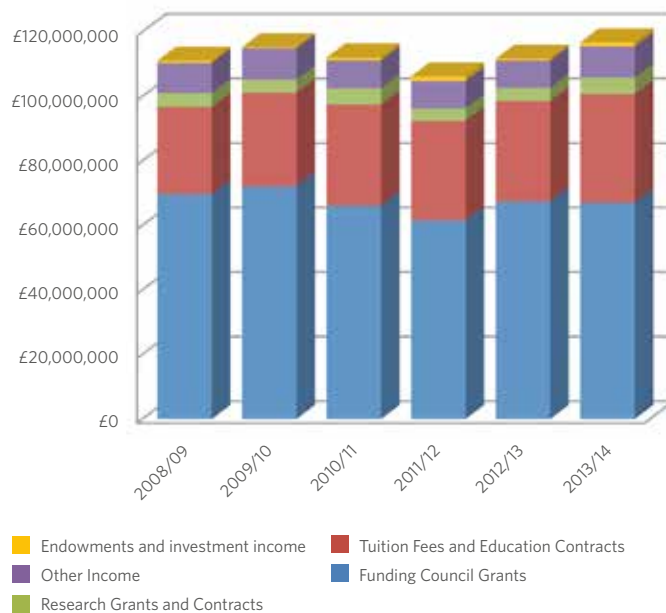
## Financial Performance

Financial performance during the year was positive with an operating surplus before restructuring of £4.1m, retained surplus of £3.8m and cash at bank of £35.8m. The results for the year were in line with our plan to ensure we have sufficient reserves to support current and future infrastructure developments and to invest in the learning experience and environment to ensure that we continue to improve the experience for our students.



## Income

Income comes from a number of sources as shown below.



Total income has increased by £5m to £117m (2013: £112m), due to a year on year increase across most categories of income.

Grants received in the year of £67m from the Scottish Funding Council (SFC) are largely in line with 2013.

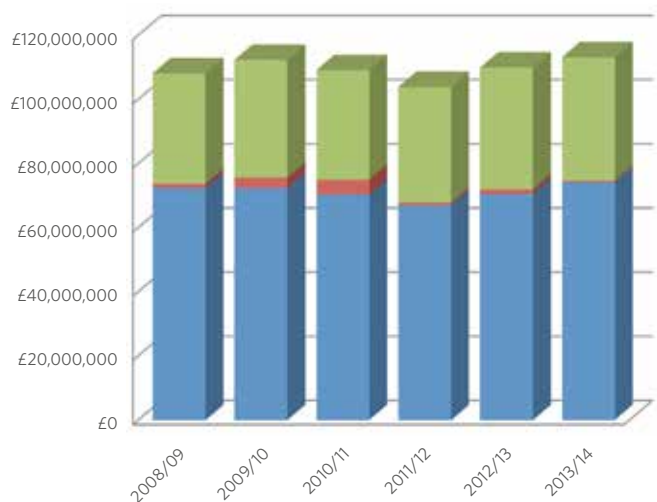
Tuition fees and education contracts increased by £2.4m primarily due to an increase in our overseas student recruitment and in Scotland & EU and RUK full time undergraduate students.

Research grants and contracts have continued to grow. Increased activities in all our Institutes and particularly the Institute for Applied Health Research and Institute for Sustainable Engineering and Technology Research, have contributed to this increase.

Other income, generated from a number of sources, has increased by £1.5m. This increase has mainly been driven by an increase in philanthropic income, consultancy assignments and from the University's activities around the Glasgow 2014 XX Commonwealth Games.

### Expenditure

Expenditure is split into the following three main categories.



■ Other operating expenses    ■ Staff costs  
■ Restructuring costs

In the year, expenditure, before restructuring increased 4% from £108m to £113m.

Staff costs, in line with the overall movement in staff numbers, increased. Core staff costs have reduced year on year with the main areas of increase being in relation to fixed term staff to support income generating activities, including research. Social security and pension costs increased in line with salaries, with pension costs including the year on year impact of the movement in the Strathclyde Pension Fund current service costs of £0.6m.

Other operating costs fell in the year by £0.1m in line with controls in place to recognise and maximise efficiencies in recurrent expenditure. The University continues to review and identify areas of activity that can be delivered more cost effectively. We also participate in shared

collaboration schemes where possible to improve efficiencies and benefit from economies of scale.

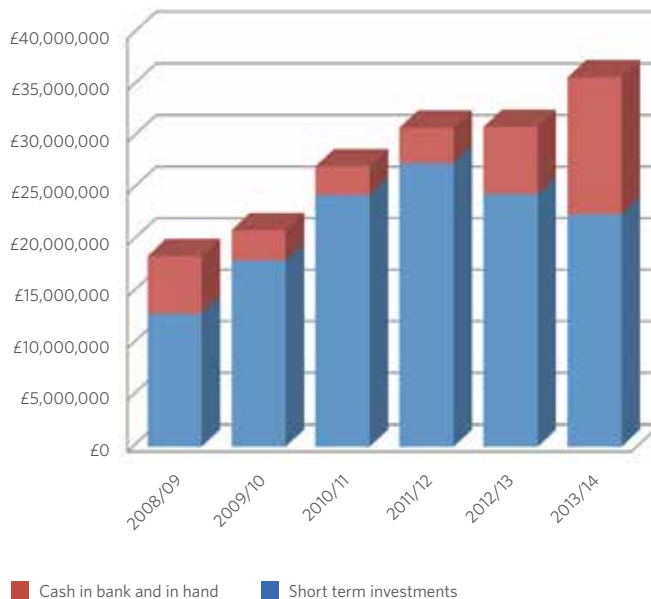
### Balance Sheet

The University had total consolidated net assets excluding the pension liability of £186m as at 31 July 2014. This reflects the strong liquidity position of the University and effective working capital management processes.

### Cash flow and Treasury Management

Cash at bank at 31 July 2014 was £35.8m (2013: £31m).

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



Cashflow from operations for the year was £9.1m (2013: £5.6m). Cash outflow in respect of capital expenditure was £5.3m (2013: £6.8m) all of which was funded from internal reserves. Further details on cash flow movements are in Notes 19 to 23 of the financial statements.



**Photo:** The noPILLS project aims to measure pharmaceuticals in waste water.





**Photo:** The Heart of the Campus project was ongoing throughout 2013/14 and will transform the look and facilities at GCU.

As outlined in Capital Investments, Heart of Campus development works were ongoing throughout 2013/14. The University has a loan agreement for £10m with Lloyds Banking Group backed by the European Investment Bank to assist in the financing of the Heart of Campus project with the balance being funded through internal resources. During the year to 31 July 2014 there has been no drawdown on this facility, however with projected spend accelerating in 2014/15 and 2015/16, the drawdown of the facility has been agreed for 2014/15.

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

- Statement of Risk Appetite
- Mission statement
- Strategy
- Budget
- Capital expenditure programme
- Cash flow forecasts
- Working capital requirements

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

### Financial Strategy

The main focus of the Financial Strategy is to ensure the University's long term financial sustainability, which will enable the University to remain competitive in order to succeed in a challenging and fast-paced higher education environment. It will allow the University to maintain a vibrant and relevant academic portfolio, the highest standards of governance, a dynamic campus environment and appropriate financial and risk controls to remain a viable organisation that delivers an excellent student experience.

### Capital Investments

During 2013, as part of the University's review of Strategic & Financial Planning processes, an Infrastructure Group was established to review the medium term rolling Infrastructure Plans for Information Services, Estates, Schools and other appropriate support departments to ensure longer planning horizons are set that meets with the financial requirements of the University.

In 2013/14 total capital expenditure on buildings, fixtures and fittings and equipment was £5m. The Combined Heat and Power plant completed in 2012/13 became operational in autumn 2013 and moved from Asset under Construction within Note 8.

The Heart of Campus development, a project with a total cost of £30m, continued in 2013/14. The project will create an attractive, modern hub which will lead to improved academic teaching areas, student services and facilities allowing the University to maintain its reputation for delivering high quality in these areas. The project incurred a total spend of £1.8m during the year.

The University advanced the development of its New York Campus in 2013/14. In September 2013 a 15 year lease was agreed on property in New York City from which the GCU New York Campus will deliver executive training and short courses and will further research collaborations with universities in New York. It will also examine the potential for delivering Masters courses building on the successful model of the London campus. Fit out costs in respect of the lease of £1.5m (\$2.6m) were incurred in the year.

### Payment of Creditors

It is the University's policy to obtain the best terms of business from creditors, and thus there is no single policy as to the terms used. In agreements negotiated with suppliers, the University endeavours to include and abide by specific payment terms. As at 31 July 2014 the University's outstanding payments represented approximately 44 days purchases. The amount of interest paid in the year under the Late Payment of Commercial Debts (Interest) Act 1998 was nil.

## Pensions

The University participates in three separate defined pension schemes, which are the Strathclyde Pension Fund (SPF) for non-academic staff, the Scottish Teachers Superannuation Scheme (STSS) for academic staff and the Universities Superannuation Scheme (USS) for academic and academic related staff.

The University accounts for the SPF in accordance with the requirements of FRS 17. The University's share of the scheme deficit as at 31 July 2014 was £14.3m (2013: £6.9m) and is included within reserves.

The University continues to take the exemption permitted under FRS 17 to disclose the STSS Scheme and the USS Scheme as defined contribution schemes as both schemes are not able to calculate individual employers' share of the overall deficit.

## Student Recruitment

In 2013/14 the University's total student population was 13,317 FTE, of which 11,472 were undergraduate and 1,845 were post graduate. Within the FTE student numbers were 1,375 overseas students.



Photo: In 2013/14 the University's total student population was 13,317 FTE.

## Disability policy

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

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

## Equality and diversity



Photo: Equality and diversity have been embedded across all University functions.

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

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

## Risk

High quality risk management is a positive process which supports and enhances business management. The University has robust risk management processes and structures embedded in its business planning. These include: a Risk Management Strategy and Risk Appetite and Tolerance statements, which guide the management of risk across the University; a Risk Management Forum, to support the senior management group by ensuring that University risks are managed effectively; and a programme of staff development workshops.

The University maintains a comprehensive corporate risk register with risk analysis and local risk registers embedded in its Schools and Learning, Teaching and Infrastructure Services.

The main risks facing the University are:

- **National Economic Position** - Risk of potential funding cuts impacting University quality and financial viability
- **International Income** - Major risk to budgeted growth of international income, income which is required to reduce dependency on public sector funding
- **Global Economic Position** - Risk to all non SFC funding due to international economic climate
- **Globally Networked** - Risk that planned global activities do not meet expectations
- **Pay Inflation** - Risk that settlement agreements are in excess of budget expectations

## Future Developments

The University achieved a satisfactory financial performance in 2013/14 but remains fully aware of the ongoing challenges and uncertainties within the sector. The strong underlying financial position and planning processes in place provides a strong foundation for ensuring the University can adequately cope with the challenges ahead and deliver its strategic goals.

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

The University is well advanced in the establishment of the GCU New York Campus which will also provide a base for the British School of Fashion. Initially delivering an executive education portfolio, the Campus offerings will focus on those that provide sustainable social, environmental and economic value.

All developments are necessary for delivering the Strategy 2015 and the Strategy 2020.



Photo: Clockwise: Optometry at GCU; GCU London; Student support; Partnership with First Group; Climate Justice; Leading research.

# Corporate Governance Statement

## Introduction

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

This Statement describes the manner in which the Court has applied the principles set out in the Scottish Code of Good Higher Education Governance issued in July 2013 and the UK Corporate Governance Code issued by the Financial Reporting Council in 2010, as directed by the Scottish Funding Council’s Accounts Direction. It has taken due regard of the Turnbull Committee Guidance on Internal Control and the Guide for Members of Higher Education Governing Bodies in the UK as issued by the Committee of University Chairs. Its purpose is to help the reader of the financial statements understand how these principles have been applied.

## Statement of full compliance

In the opinion of the Court, the University complies with the provisions of the Scottish Code of Good Higher Education Governance and with the principles of the UK Corporate Governance Code issued by the Financial Reporting Council in 2010, in so far as they apply to the higher education sector, and it has complied throughout the year ended 31 July 2014.

## Governing body

### Court

The functions and powers of the University Court are set out in part 3 of the Glasgow Caledonian University Order of Council 2010. The Court is responsible for determining the overall strategic direction of the University. It establishes the budgetary framework, appoints the head of the institution and exercises general oversight over the University’s performance and development.

In accordance with the Scottish Code of Good HE Governance, Court has a Statement of Primary Responsibilities outlining which matters are reserved to be considered by the Court and which can be formally delegated by the Court to its committees. The Responsibilities are shown in full on page 15. This is one of the key documents in relation to which the effectiveness of the Court is measured. The Statement of Primary Responsibilities is subsidiary to the Glasgow Caledonian University Order of Council 2010. Court reviews its Statement of Primary Responsibilities at the first meeting of the academic session.

Court met six times in 2013/2014. Court holds a strategic planning event at the beginning of each session and is fully involved in discussions on the development of the University’s Corporate Strategy.

Court carries out a review of its effectiveness every three years, the last review having been undertaken in 2012.

The Chair of Court is responsible for the leadership of the governing body, and ultimately responsible for its effectiveness. The Chair’s responsibilities are set out in the section 2.5 of the Governors’ handbook and in the job description for the role of Chair of Court, which is published on the University website. An appraisal of the Chair of Court is carried out annually.

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

The Chair of Court is responsible for ensuring that the University, in carrying out its business, has due regard to the interests of all stakeholders. The University has developed various initiatives to ensure it is well-connected with its stakeholders and continues to develop these.

Although the University Court is ultimately responsible for the conduct of the University, much of the detailed work is delegated to Court’s standing committees. Court delegates the co-ordination, development and supervision of the academic work of the University to Senate which acts under the general control and direction of Court. There are six committees, each of which has formally constituted terms of reference. These committees are an Audit Committee, a Remuneration Committee, a Court Membership Committee, a Finance and General Purposes Committee, a Health and Safety Committee and a Staff Policy Committee. 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 University Secretary meets regularly with the Chair and Vice Chair of Court as part of the process governing the conduct of Court’s business to ensure that this is carried out in accordance with the Standing Orders. They are responsible for making arrangements to ensure that Court and its committees are properly clerked and that minutes are produced timeously. Court minutes are published on the University website.

### Audit Committee

The Audit Committee met four times in 2013/14 with the University’s external and internal auditors in attendance. The Audit Committee advises the University on the appointment of the internal and external auditors and the auditors’ remuneration and assesses the effectiveness of the auditors. The Committee may meet privately with both the internal and external auditors if it wishes and does so at least once annually.

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

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

#### **Remuneration Committee**

The Remuneration Committee met twice in 2013/14 and determines the remuneration of members of the Executive, including the Principal and Vice-Chancellor as well as setting parameters of remuneration for other senior staff. Information on the remuneration of senior post holders for the year ended 31 July 2014 is set out in note 6 to the financial statements.

The Remuneration Committee's work is governed by a clear remuneration philosophy, approved by Court, designed to attract, retain and incentivise key senior staff with critical responsibility for the delivery of the University's objectives. It also seeks to strengthen the link between remuneration and performance by means of performance related pay where appropriate. The philosophy is underpinned by the following principles:

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

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

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

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

- All institutions
- Post 92 Universities and Higher Education Colleges - (All)
- Post 92 Universities and Higher Education Colleges - £75m to £153m income
- Scotland - £75m to £190m income
- The University Alliance Group.

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

#### **Court Membership Committee**

The Court Membership Committee's terms of reference require it to keep Court's membership under review and meet to consider nominations for vacancies in the Court membership. Court has a robust process for appointing governors which is based on the principles of transparency and flexibility. The process encompasses a wide range of methods to allow the Court Membership Committee the flexibility to employ whichever recruitment methods are most appropriate to the circumstances. Vacancies on the Court are advertised on the Public Appointments website. The Committee met formally in 2013/14 on four occasions.

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

#### **Finance and General Purposes Committee**

The Finance and General Purposes Committee met five times in 2013/14. It recommends to Court the University's annual revenue and capital budgets and monitors performance in relation to the approved budgets. The committee also reviews major investment decisions prior to final approval by Court.

#### **Health and Safety Committee**

The Health and Safety Committee met twice in 2013/14. The terms of reference of the Health and Safety Committee are to ensure that safety and environmental policies are in order to ensure that the University meets all legislative requirements and best practice standards, and promote and monitor effective implementation of those policies.

#### **Staff Policy Committee**

The Staff Policy Committee met three times in 2013/14. The main purpose of the Staff Policy Committee is to oversee the development of a People Strategy to support the University's strategic plan, to recommend the strategy to Court, to report to Court on progress in implementing the strategy and to ensure that policies, procedures and practices relating to staffing matters remain current and comprehensive and comply with all relevant employment legislation.

#### **Corporate Strategy**

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

The Court agreed the revised University's 2015 Strategic Mission, Objectives and Key Performance Indicators in 2011. The development of the new Strategy 2020 is underway together with the creation of a strategic framework to support the delivery of institutional goals. The University also has a comprehensive Estates Strategy 2011 - 2015.

## Risk management and internal control

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

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

The University Executive Board, Chair of Court and Chair of Finance and General Purposes Committee receive monthly reports on budgetary matters with outturns monitored against targets. In addition, quarterly financial reports are presented to the Finance and General Purposes Committee and to Court. The University Executive Board and the relevant Court standing committees also receive reports on health and safety and staff-related issues plus any major strategic developments.

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

The Court is of the view that there is an ongoing process for identifying, evaluating and managing the University's significant risks up to the date of approval of the annual financial statements. Court's role is to set the overall policy for risk management within the University. This includes:

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

A Risk Management Forum oversees the development and implementation of the University's Risk Management Strategy including the Risk Appetite Framework that forms part of the Risk Management Strategy. It supports institutional decision-making and monitoring of a portfolio of activities in different business areas, by establishing risk thresholds in terms of finance, resources and potential impact on reputation.

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

All Schools and Learning, Teaching and Infrastructure Services have operating plans which identify risks and issues. In addition, there is a University Business Continuity Plan which is reviewed annually. Each School and professional support department has localised plans which are kept under review. The Business Continuity Plans are tested on a regular basis. Where required risk registers are amended to reflect

any issues arising. As new legislation arrives, actions are taken by internal committees to ensure compliance, and committee papers prepared must indicate how the actions proposed address compliance with legislation.

Accordingly, the Court is of a view that there is an ongoing process for identifying, evaluating and managing the University's significant risks that has been in place throughout the year ended 31 July 2014 and up to the date of approval of the annual financial statements. This process is reviewed by the Court and accords with the Turnbull guidance, as applicable to the higher education sector.

## Going concern

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

## Conclusion

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

**MR ANTONY BRIAN**

# Statement of Primary Responsibilities of the Court

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

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

In causing the financial statements to be prepared, 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
- The financial statements are prepared on the going concern basis, unless it is inappropriate to presume that the University will continue in operation.

Court's Primary Responsibilities are detailed as follows:

## Staff and Students

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

## Financial responsibilities

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

## Strategic responsibilities

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

## Controls

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

## Monitoring performance and effectiveness

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

# Membership of Court and Key Committees

## University Court Members

Mr Antony Brian *Chair*  
Professor Pamela Gillies  
*Principal and Vice-Chancellor*  
Mrs Rhona Baillie  
Mrs Hazel Brooke *Vice-Chair*  
Dr Douglas Chalmers  
Mr John Chapman  
Ms Laura Gordon  
Mr Ian Gracie  
Mr Tom Halpin  
Mr J Gordon Jack  
Mr Austin Lafferty  
Mr Matthew Lamb (to 15.06.14)  
*President of the Students' Association*  
Dr Rajan Madhok (to 31.07.14)  
Dr James A Miller  
Mr Hugh O'Neill (to 05.02.14)  
Miss Davena Rankin  
Mr Michael Stephenson (from 16.06.14)  
*President of the Students' Association*  
Mr Iain Stewart  
Mr David Wallace  
Mr Alistair Webster  
Dr Bob Winter  
Professor Stephanie Young

## Members of Audit Committee

Ms Laura Gordon  
Mr Tom Halpin  
Mr Austin Lafferty  
Dr James A Miller *Chair*  
Mr Iain Stewart  
Mr Alistair Webster

## Members of Remuneration Committee

Mr Antony Brian  
Mrs Hazel Brooke  
Professor Pamela Gillies  
Mr Tom Halpin *Chair* (from 01.08.14)  
Dr Rajan Madhok *Chair* (to 31.07.14)  
Professor Stephanie Young

## Members of Court Membership Committee

Mr Antony Brian *Chair*  
Mrs Hazel Brooke  
Professor Pamela Gillies  
Mr Matthew Lamb (from 18.11.13 to 15.06.14)  
Dr Rajan Madhok (to 31.07.14)  
Dr James A Miller  
Mr Michael Stephenson (from 16.06.14)  
Mr Iain Stewart

## Members of Finance and General Purposes Committee

Mrs Rhona Baillie  
Mr John Chapman  
Professor Pamela Gillies  
Mr Ian Gracie

Mr J Gordon Jack *Deputy Chair*  
Mr Matthew Lamb (to 15.06.14)  
Mr Gerry Milne  
Mr Hugh O'Neill (to 05.02.14)  
Mr Michael Stephenson (from 16.06.14)  
Mr David Wallace *Chair*

## Members of Health and Safety Committee

Dr Douglas Chalmers  
Mr John Chapman  
Mr Ian Gracie *Chair* (from 05.02.14)  
Mr Alex Killick  
Mr Matthew Lamb (to 15.06.14)  
Mr Hugh O'Neill *Chair* (to 05.02.14)  
Miss Davena Rankin  
Mr Michael Stephenson (from 16.06.14)

## Members of Staff Policy Committee

Mrs Hazel Brooke *Chair* (to 31.07.14)  
Dr Douglas Chalmers  
Professor Pamela Gillies  
Mr Alex Killick  
Dr James A Miller  
Miss Davena Rankin  
Dr Bob Winter  
Professor Stephanie Young *Chair* (from 01.08.14)

## Governor Development

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

The University is strongly committed to governor development and sees it as an important part of the infrastructure to sustain high quality governance. Governors are therefore given the opportunity to attend events run by the LFHE - Leadership Foundation for Higher Education - which provides a Governor Development Programme with a range of courses from governor induction to knowledge and skills development. The following 2013-2014 session events have been attended by Governors of GCU:

Student as Governor  
Governor Toolkit Part 1  
Making Governance work for Staff Governors  
Scottish Code of Higher Education Governance: How are we doing?  
Leading the Board of Governors  
Governor Toolkit Part 3  
Does my board need a makeover?  
Student as Governor: preparing for life beyond the boardroom

There is a programme of ongoing development for governors which includes visits to Schools, sector updates and a subscription to the Times Higher Educational Supplement.



# Attendance at University Court and Committee Meetings for the year to 31 July 2014

Member	Date from/to	University Court 6 in year	Audit 4 in year	Remuneration 2 in year	Court Membership 4 in year	Finance & General Purposes 5 in year	Health & Safety 2 in year	Staff Policy 3 in year
Mr Antony Brian, <i>Chair of Court</i>		6		2	4			
Professor Pamela Gillies, <i>Principal and Vice-Chancellor</i>		6		2	4	5		2
Ms Rhona Baillie		4				4		
Mrs Hazel Brooke, <i>Vice-Chair of Court</i>		5		2	2			2
Dr Douglas Chalmers		5					1	3
Mr John Chapman		6				5	2	
Ms Laura Gordon		4	3					
Mr Ian Gracie		6				5	2	
Mr Tom Halpin		4	2	1				
Mr J Gordon Jack		6				5		
Mr Alex Killick							2	3
Mr Austin Lafferty		5	4					
Mr Matthew Lamb	To 15.06.14	5			4	5	2	
Dr Rajan Madhok	To 31.07.14	5		2	4			
Dr James A Miller		5	4		3			3
Mr Gerry Milne						5		
Mr Hugh O'Neill	To 05.02.14	2				1	1	
Ms Davena Rankin		5					0	1
Mr Michael Stephenson	From 16.06.14	1						
Mr Iain Stewart		6	4		4			
Mr David Wallace		2				3		
Mr Alistair Webster		6	4					
Dr Bob Winter		4						2
Professor Stephanie Young		5		1				3

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

The Deputy Vice-Chancellor, the Pro Vice-Chancellors, the Chief Financial Officer and Vice Principal (Infrastructure) and members of senior management are in attendance at Court. The University Secretary and Vice Principal (Governance) is in attendance at Court and all Committee meetings.

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

We have audited the Group and University financial statements of Glasgow Caledonian University for the year ended 31 July 2014 which comprise the Consolidated Income and Expenditure Account, the Consolidated and University Balance Sheets, the Consolidated Cash Flow Statement, the Reconciliation of Net Cash Flow to Movement in Net Funds, the Statement of Consolidated Total Recognised Gains and Losses, the Statement of Consolidated Historical Cost Surpluses, the Statement of Principal Accounting Policies and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the University Court of Glasgow Caledonian University, as a body, in accordance with paragraph 6 of part 3 of the Glasgow Caledonian University Order of Council 2010 and, in the University Court's role as charity trustees, in accordance with section 44 (1)(c) of the Charities and Trustee Investment (Scotland) Act 2005 and regulation 10 of the Charities Accounts (Scotland) Regulations 2006 (as amended). Our audit work has been undertaken so that we might state to the University Court of Glasgow Caledonian University those matters we are required to state to it in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the University Court of Glasgow Caledonian University, as a body, for our audit work, for this report, or for the opinions we have formed.

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

As explained more fully in the Responsibilities of the University Court set out on page 15, the University Court of Glasgow Caledonian University is responsible for the preparation of the financial statements which give a true and fair view. We have been appointed as auditor under section 44 (1)(c) of the Charities and Trustee Investment (Scotland) Act 2005 and report to you in accordance with the regulations made under that Act. Our responsibility is to audit, and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors

## Scope of the audit of the financial statements

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

aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

## Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Group's and University's affairs as at 31 July 2014 and of the Group's income and expenditure, recognised gains and losses and cash flows for the year then ended;
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice and the Statement of Recommended Practice: accounting for further and higher education; and
- have been prepared in accordance with the Charities and Trustee Investment (Scotland) Act 2005, and regulation 14 of the Charities Accounts (Scotland) Regulations 2006 (as amended).

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

In our opinion, in all material respects:

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

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

We have nothing to report in respect of the following matters where the Charities Accounts (Scotland) Regulations 2006 (as amended) and the terms of our engagement require us to report to you if, in our opinion:

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

**Andrew Shaw**

**For and on behalf of KPMG LLP, Statutory Auditor**

*Chartered Accountants*

*KPMG LLP is eligible to act as an auditor in terms of section 1212*

*of the Companies Act 2006*

191 West George Street

Glasgow

G2 2LJ

28 November 2014

# Statement of Principal Accounting Policies

## Basis of preparation

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

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

## Change in accounting policy

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

## 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. Investments in subsidiary undertakings are shown at the lower of cost or net realisable value. 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 and any fees waived by the University.

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.

Income from short-term deposits, endowments and investments 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.

The results, cash flows and balance sheets of overseas operations are translated at the closing rates of exchange, using the closing rate method.

## 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 values 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
Plant & General equipment	5 - 20 years
Furniture	5 - 10 years
Fixtures & Fittings	5 - 10 years

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

### Repairs and maintenance

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

### Investments

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

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

### Endowments and donations Unrestricted donations

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

### Endowment funds

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

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

### Stocks

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

### Cash flows and liquid resources

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

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

### Taxation status

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

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

### Accounting for Retirement Benefits

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

#### Strathclyde Pension Fund

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

Contributions to the scheme are calculated so as to spread the cost of pensions over employees' working lives with the University. The amount charged to the income and expenditure account represents the service cost expected to arise from employee service in the current year. 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 2014

	Note	2014 £000	2013 £000
<b>Income</b>			
Funding council grants	1	67,119	67,445
Tuition fees and education contracts	2	33,547	31,155
Research grants and contracts	3	5,178	4,124
Other income	4	11,324	9,843
Endowment and investment income	5	1,258	583
<b>Total income</b>		<b>118,426</b>	113,150
Less: Share of income from joint venture	9	(1,674)	(1,462)
<b>Net income</b>		<b>116,752</b>	111,688
<b>Expenditure</b>			
Staff costs	6	74,097	70,486
Restructuring costs	6	516	1,476
Other operating expenses	7	33,594	33,717
Depreciation	8	4,944	4,251
<b>Total expenditure</b>	7	<b>113,151</b>	109,930
<b>Surplus after depreciation of tangible assets at valuation and before taxation</b>		<b>3,601</b>	1,758
Share of operating profit in joint venture	9	142	27
<b>Surplus on continuing operations after depreciation of tangible assets at valuation and taxation</b>		<b>3,743</b>	1,785
Transfer from accumulated income within endowment funds	10	10	113
<b>Surplus for the year retained within general reserves</b>		<b>3,753</b>	1,898

All items of income and expenditure arise from continuing operations.

## Statement of Consolidated Historical Cost Surpluses

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For the year ended 31 July 2014

	Note	2014 £000	2013 £000
Surplus on continuing operations before taxation		3,743	1,785
Difference between historical cost depreciation and the actual charge for the year on the re-valued amount	15	1,955	1,335
<b>Historical cost surplus for the year before and after taxation</b>		<b>5,698</b>	<b>3,120</b>

## Statement of Consolidated Total Recognised Gains and Losses

---

For the year ended 31 July 2014

	Note	2014 £000	2013 £000
Surplus on continuing operations after depreciation of assets at valuation and disposal of assets and tax		3,743	1,785
Revaluation of fixed asset land and buildings	15	-	27,301
Revaluation of fixed asset investments	15	(12)	3
Actuarial (loss)/gain in respect of pension scheme	24	(8,372)	1,015
<b>Total gains and losses recognised in the year</b>		<b>(4,641)</b>	<b>30,104</b>

### Reconciliation:

Opening reserves and endowments		166,858	136,754
Total gains and losses recognised in the year		(4,641)	30,104
<b>Closing reserves and endowments</b>		<b>162,217</b>	<b>166,858</b>

## Balance Sheets

As at 31 July 2014

	Note	Consolidated		University	
		2014 £000	2013 £000	2014 £000	2013 £000
<b>Fixed assets</b>					
Tangible assets	8	170,221	170,166	168,304	170,166
Investments	9	2,911	2,923	3,421	3,433
		<u>173,132</u>	<u>173,089</u>	<u>171,725</u>	<u>173,599</u>
Endowment assets	10	149	159	149	159
<b>Current assets</b>					
Stocks		98	159	98	159
Debtors	11	10,243	9,501	14,415	9,786
Short term investments		22,530	24,500	22,500	24,500
Cash at bank and in hand		13,082	6,321	11,086	5,318
		<u>45,953</u>	<u>40,481</u>	<u>48,099</u>	<u>39,763</u>
Creditors: amounts falling due within one year	12	(25,155)	(22,005)	(23,375)	(21,645)
<b>Net current assets</b>		<u>20,798</u>	<u>18,476</u>	<u>24,724</u>	<u>18,118</u>
<b>Total assets less current liabilities</b>		<b>194,079</b>	<b>191,724</b>	<b>196,598</b>	<b>191,876</b>
Less: Provisions for liabilities	13	(7,283)	(7,271)	(7,435)	(7,423)
<b>Net assets excluding pension liability</b>		<b>186,796</b>	<b>184,453</b>	<b>189,163</b>	<b>184,453</b>
Net pension liability	24	(14,296)	(6,855)	(14,296)	(6,855)
<b>Net assets including pension liability</b>		<b>172,500</b>	<b>177,598</b>	<b>174,867</b>	<b>177,598</b>
Deferred capital grants	14	10,283	10,740	10,283	10,740
<b>Endowments</b>					
Expendable	10	99	109	99	109
Permanent	10	50	50	50	50
		<u>149</u>	<u>159</u>	<u>149</u>	<u>159</u>
<b>Reserves</b>					
Income and expenditure account excluding pension reserve	15	91,969	87,192	94,336	87,192
Pension reserve	15	(14,296)	(6,855)	(14,296)	(6,855)
Income and expenditure account including pension reserve		77,673	80,337	80,040	80,337
Revaluation reserve	15	84,395	86,362	84,395	86,362
		<u>162,068</u>	<u>166,699</u>	<u>164,435</u>	<u>166,699</u>
<b>Total funds</b>		<b>172,500</b>	<b>177,598</b>	<b>174,867</b>	<b>177,598</b>

The financial statements on pages 22 to 48 were approved by the University Court on 27 November 2014 and signed on its behalf by:

**Mr Antony Brian**  
Chair of University Court

**Professor Pamela Gillies CBE**  
Principal and Vice-Chancellor

**Mr Gerry Milne**  
Chief Financial Officer  
& Vice Principal (Infrastructure)



## Consolidated Cash Flow Statement

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For the year ended 31 July 2014

	Note	2014 £000	2013 £000
Net cash inflow from operating activities	19	9,143	5,629
Returns on investments and servicing of finance	20	377	416
Capital expenditure and financial investment	21	(4,739)	(6,232)
Management of liquid resources	22	1,970	3,000
<b>Increase in cash in the year</b>		<b>6,751</b>	<b>2,813</b>

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

---

For the year ended 31 July 2014

	Note	2014 £000	2013 £000
Increase in cash in the year		6,751	2,813
Decrease in short term deposits		(1,970)	(3,000)
Movement in net funds in the year		4,781	(187)
Net funds at 1 August		30,980	31,167
<b>Net funds at 31 July</b>	23	<b>35,761</b>	<b>30,980</b>

## Notes to Financial Statements

For the year ended 31 July 2014

	2014 £000	2013 £000
<b>1 Scottish Funding Council grants</b>		
General Fund - Teaching	57,094	56,551
General Fund - Research and Knowledge Exchange	3,382	4,205
Strategic Funding	5,216	5,613
Capital Maintenance grants	799	622
Deferred capital grants released:		
Buildings (note 14)	337	310
Equipment (note 14)	291	144
	<u>67,119</u>	<u>67,445</u>
<b>2 Tuition fees and education contracts</b>		
Scotland and EU fees	20,502	19,926
RUK (new fee rates)	727	474
Non-EU fees	10,851	9,248
Non-credit bearing course fees	1,129	1,229
Education contracts	338	278
	<u>33,547</u>	<u>31,155</u>
<b>3 Research grants and contracts</b>		
Grants and contracts	5,146	4,124
Deferred capital grants released:		
Equipment (note 14)	32	-
	<u>5,178</u>	<u>4,124</u>
This sum includes Industrial and Government-funded Research Grants and contracts. It excludes SFC funding for research shown in note 1.		
<b>4 Other income</b>		
Residences, catering and conferences	3,691	3,133
Other university services	2,683	2,727
Other income	3,276	2,521
Income from joint venture	1,674	1,462
	<u>11,324</u>	<u>9,843</u>

## Notes to Financial Statements (continued)

For the year ended 31 July 2014

	2014 £000	2013 £000
<b>5 Endowment and investment income</b>		
Income from expendable endowments	24	88
Income from permanent endowments	1	1
Other interest receivable	270	339
Net return on pension scheme (note 24)	963	155
	<u>1,258</u>	<u>583</u>

	2014 £000	2013 £000
<b>6 Staff costs</b>		
Wages and salaries	60,400	58,070
Social security costs	5,156	4,985
Other pension costs	8,541	7,431
	<u>74,097</u>	<u>70,486</u>

	2014 £000	2013 £000
Analysed as:		
Academic	44,694	43,551
Administrative	24,406	21,977
Technical	2,481	2,451
Others	2,516	2,507
	<u>74,097</u>	<u>70,486</u>

	2014 £000	2013 £000
<b>Emoluments of the Principal and Vice-Chancellor</b>		
Salary	213	211
Performance related payment	15	15
Payments in lieu of pension contributions	37	37
Benefits in kind	1	1

	2014 Number	2013 Number
<b>Average staff numbers by major category</b>		
Academic	690	691
Administrative	556	531
Technical	56	55
Others	113	114
	<u>1,415</u>	<u>1,391</u>

For the year ended 31 July 2014

**6 Staff costs (continued)**

**Remuneration of other higher paid staff including non-superannuable elements, but excluding employers' pensions contributions where relevant**

	2014 Number	2013 Number
£70,000 - £79,999	26	25
£80,000 - £89,999	12	11
£90,000 - £99,999	7	8
£100,000 - £109,999	2	-
£110,000 - £119,999	1	2
£120,000- £129,999	4	4
£130,000- £139,999	1	2
£140,000- £149,999	3	-
£150,000- £159,999	1	-
£160,000- £169,999	-	1
£170,000- £179,999	-	-
£180,000- £189,999	2	-

**Compensation for loss of office payable to senior post holders**

	2014 £000	2013 £000
Compensation payable	-	314

**Restructuring costs**

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

	2014 £000	2013 £000
Academic	(18)	1,163
Administrative	514	258
Technical	8	44
Associated costs (non payroll)	12	11
	<u>516</u>	<u>1,476</u>

For the year ended 31 July 2014

7 Analysis of Expenditure by activity

	Staff costs £000	Restructuring costs £000	Other operating costs £000	Depreciation £000	2014 Total £000	2013 Total £000
Academic departments	45,003	72	7,178	481	52,734	53,433
Academic services	9,812	178	7,296	114	17,400	17,794
Research grants & contracts	3,183	-	1,816	32	5,031	3,972
Residences, catering & conferences	423	-	731	331	1,485	1,449
Premises	3,556	-	8,796	3,753	16,105	13,461
Administration & central services	12,120	254	7,207	233	19,814	19,154
Other expenses	-	12	570	-	582	667
Total per I & E account	<u>74,097</u>	<u>516</u>	<u>33,594</u>	<u>4,944</u>	<u>113,151</u>	<u>109,930</u>

Other operating expenses (including VAT) include:

	2014 £000	2013 £000
<b>Auditor's remuneration</b>		
External auditors remuneration in respect of audit services	62	52
External auditors remuneration in respect of non-audit services	-	6
Internal auditors remuneration in respect of audit services	120	127
Internal auditors remuneration in respect of non-audit services	<u>20</u>	<u>16</u>
<b>Operating lease rentals</b>		
Land and buildings	2,144	1,332
Other	<u>198</u>	<u>147</u>

## For the year ended 31 July 2014

## 8 Tangible assets

### Consolidated & University

At 31 July 2014, in accordance with FRS 11 'Impairment of Fixed Assets and Goodwill', the values of the buildings have been compared to their recoverable amounts, represented by their value in use to the University. Based on indicators available and given the specialised nature, use and size of the buildings, the University is satisfied that there has not been a fall in value that would result in an impairment loss. Further, in accordance with FRS 15 'Tangible Fixed Assets' a full valuation of the University's buildings using the depreciated replacement cost method was carried out as at 31 July 2013. There are no material changes in value and therefore the valuation has not been updated as at 31 July 2014.

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

Consolidated	Land & Buildings £000	Assets under Construction £000	Fixtures & Fittings £000	Plant, Equipment & Furniture £000	Total £000
<b>Valuation/Cost</b>					
At 1 August 2013	163,437	5,015	1,794	14,561	184,807
Additions	1,515	2,024	108	1,352	4,999
Disposals	-	-	(268)	(53)	(321)
Transfers	796	(3,911)	-	3,115	-
<b>At 31 July 2014</b>	<b>165,748</b>	<b>3,128</b>	<b>1,634</b>	<b>18,975</b>	<b>189,485</b>
<b>Depreciation</b>					
At 1 August 2013	517	-	1,419	12,705	14,641
Charge for year	3,827	-	153	964	4,944
Disposals	-	-	(268)	(53)	(321)
<b>At 31 July 2014</b>	<b>4,344</b>	<b>-</b>	<b>1,304</b>	<b>13,616</b>	<b>19,264</b>
<b>Net Book Value</b>					
<b>At 31 July 2014</b>	<b>161,404</b>	<b>3,128</b>	<b>330</b>	<b>5,359</b>	<b>170,221</b>
At 31 July 2013	162,920	5,015	375	1,856	170,166

For the year ended 31 July 2014

**8 Tangible assets**  
**Consolidated & University (continued)**

University	Land & Buildings £000	Assets under Construction £000	Fixtures & Fittings £000	Plant, Equipment & Furniture £000	Total £000
<b>Valuation/Cost</b>					
At 1 August 2013	163,437	5,015	1,794	14,561	184,807
Additions	-	2,024	-	995	3,019
Disposals	-	-	(268)	(53)	(321)
Transfers	796	(3,911)	-	3,115	-
<b>At 31 July 2014</b>	<b>164,233</b>	<b>3,128</b>	<b>1,526</b>	<b>18,618</b>	<b>187,505</b>
<b>Depreciation</b>					
At 1 August 2013	517	-	1,419	12,705	14,641
Charge for year	3,798	-	146	937	4,881
Disposals	-	-	(268)	(53)	(321)
<b>At 31 July 2014</b>	<b>4,315</b>	<b>-</b>	<b>1,297</b>	<b>13,589</b>	<b>19,201</b>
<b>Net Book Value</b>					
<b>At 31 July 2014</b>	<b>159,918</b>	<b>3,128</b>	<b>229</b>	<b>5,029</b>	<b>168,304</b>
At 31 July 2013	162,920	5,015	375	1,856	170,166

At 31 July 2014, land and buildings included £9.7m (2013: £9.7m) in respect of the net book value of freehold land and is not depreciated.

Buildings with a revalued cost of £1.7m (2013: £1.7m) and accumulated depreciation of £70k (2013: £nil) 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 £49.3m 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.

For the year ended 31 July 2014

**9 Investments**

	Consolidated		University	
	2014 £000	2013 £000	2014 £000	2013 £000
Treasury index linked stocks	2,828	2,840	2,828	2,840
Subsidiary undertakings at cost	-	-	510	510
Other investments	83	83	83	83
	<u>2,911</u>	<u>2,923</u>	<u>3,421</u>	<u>3,433</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 £1.9m.

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 2014 £393k Gift Aid is payable by the Company to the University (2013: £541k).

The University owns 100% of GCU INTO Limited established to operate the joint venture arrangements in INTO Scotland LLP. This investment represents 100 £1 ordinary shares and 299,900 £1 redeemable preference shares. The Company made a loss of £2,096 in the year to 31 July 2014 (2013: loss of £308).

The University owns 100% of GCU Academy Limited. The company was established to operate courses, designed specifically for individual organisations, which lead to a university-level qualification. This investment represents 100,000 £1 ordinary shares. Costs incurred by the University in respect of work undertaken by the subsidiary undertaking are recharged to the company. At 31 July 2014 £214k Gift Aid is payable by GCU Academy to the University (2013: £179k).

The University controls 100% of GCU NYC Inc. This non-stock corporation was incorporated in February 2013 and through the GCU New York Centre will deliver executive training and short courses. The University has entered into a loan agreement to lend a maximum aggregate of \$10m to GCU NYC Inc, at an interest rate for each advance being the lesser of 2.5% or the highest rate permitted by applicable law. At 31 July 2014 \$6.5m (£3.8m) (2013: \$0.6m, (£0.4m)) of this loan had been drawn down. In September 2013 GCU agreed a Standby Letter of Credit for \$2.25m in respect of the leasehold property in New York.

The "Other Investments" 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.



For the year ended 31 July 2014

9 Investments (continued)

**Joint Venture**

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

On 28 May 2008 GCU INTO Limited entered into a loan agreement to lend up to £350k to INTO Scotland LLP, at an interest rate of 2% above the base lending rate of Royal Bank of Scotland plc. At 31 July 2014 £100k of the loan had been drawn down (2013: £100k). HMRC have confirmed that the investment is a qualifying investment for tax purposes, as it is always to be used to advance Education.

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

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

	<b>2014</b>	2013
	<b>£000</b>	£000
<b>Income and Expenditure Account</b>		
Income	<b>1,674</b>	1,462
Share of operating profit	<b>142</b>	27
<b>Balance Sheet</b>		
Fixed assets	<b>99</b>	84
Current assets	<b>802</b>	981
	<b>901</b>	1,065
Liabilities: due within one year	<b>(1,031)</b>	(1,337)
Liabilities: due after more than one year	<b>(100)</b>	(100)
	<b>(1,131)</b>	(1,437)
Share of net liabilities	<b>(230)</b>	(372)

In accordance with FRS 9 'Associates and Joint Ventures' the share in net liabilities as at 31 July 2014 has been disclosed in Note 13 Provisions for liabilities.

For the year ended 31 July 2014

**10 Endowments**

	Unrestricted permanent £000	Restricted permanent £000	Total permanent £000	Restricted expendable £000	2014 Total £000	2013 Total £000
At 1 August						
Capital	14	26	40	101	<b>141</b>	255
Accumulated Income	-	10	10	8	<b>18</b>	17
	<u>14</u>	<u>36</u>	<u>50</u>	<u>109</u>	<u><b>159</b></u>	<u>272</u>
New endowments	-	-	-	-	-	-
Income	-	1	1	24	<b>25</b>	89
Expenditure	-	(1)	(1)	(34)	<b>(35)</b>	(202)
	<u>-</u>	<u>-</u>	<u>-</u>	<u>(10)</u>	<u><b>(10)</b></u>	<u>(113)</u>
At 31 July	<u>14</u>	<u>36</u>	<u>50</u>	<u>99</u>	<u><b>149</b></u>	<u>159</u>
Represented by:						
Capital	14	26	40	91	<b>131</b>	141
Accumulated income	-	10	10	8	<b>18</b>	18
	<u>14</u>	<u>36</u>	<u>50</u>	<u>99</u>	<u><b>149</b></u>	<u>159</u>
Represented by:						
Cash at bank held for endowment funds					<u><b>149</b></u>	<u>159</u>

**11 Debtors**

	Consolidated		University	
	2014 £000	2013 £000	2014 £000	2013 £000
Amount falling due within one year:				
Debtors	<b>4,293</b>	3,984	<b>3,973</b>	3,633
Amounts owing from subsidiary companies	-	-	<b>710</b>	759
Prepayments and accrued income	<b>4,808</b>	4,111	<b>4,694</b>	3,982
Debtors falling due after more than one year	<b>3,500</b>	3,897	<b>7,387</b>	3,897
Provision for bad and doubtful debts	<b>(2,358)</b>	(2,491)	<b>(2,349)</b>	(2,485)
	<u><b>10,243</b></u>	<u>9,501</u>	<u><b>14,415</b></u>	<u>9,786</u>

For the year ended 31 July 2014

**11 Debtors** (continued)

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

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

	Consolidated		University	
	2014 £000	2013 £000	2014 £000	2013 £000
Trade creditors	3,984	4,064	3,934	4,054
Social security and other taxation payable	1,482	1,495	1,482	1,495
Amounts owing to subsidiary companies	-	-	1	-
Accruals and deferred income	19,689	16,446	17,958	16,096
	<u>25,155</u>	<u>22,005</u>	<u>23,375</u>	<u>21,645</u>

**13 Provision for liabilities**

Consolidated	INTO Scotland LLP	Other £000	Early retirement pension costs £000	Total £000
	£000		£000	
At 1 August 2013	372	643	6,256	7,271
Expenditure in the year	-	(34)	(438)	(472)
Additional provision (released)/required in the year	(142)	78	548	484
At 31 July 2014	<u>230</u>	<u>687</u>	<u>6,366</u>	<u>7,283</u>

University	Other £000	Early retirement pension costs £000	Total £000
		£000	
At 1 August 2013	1,167	6,256	7,423
Expenditure in the year	(34)	(438)	(472)
Additional provision (released)/required in the year	(64)	548	484
At 31 July 2014	<u>1,069</u>	<u>6,366</u>	<u>7,435</u>

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

The Other provision represents possible payments due in respect of dilapidations on leases, obligations in respect of the CRC Energy Efficiency Scheme and losses in respect of group ventures.

A valuation of the existing pension provision was carried out by Hymans Robertson LLP, an independent firm of actuaries at 31 July 2014. The net interest rate applied was 1.5% (2013: 2.0%). This is reflected in the above calculations.

For the year ended 31 July 2014

## 14 Deferred capital grants

	Consolidated & University		
	Buildings £000	Equipment £000	Total £000
At 1 August 2013			
Funding Council	10,186	554	10,740
Other	-	-	-
	<u>10,186</u>	<u>554</u>	<u>10,740</u>
Cash receivable			
Funding Council	-	45	45
Other	-	158	158
	<u>-</u>	<u>203</u>	<u>203</u>
Transfer			
Funding Council	(3,115)	3,115	-
Other	-	-	-
	<u>(3,115)</u>	<u>3,115</u>	<u>-</u>
Released to income and expenditure account			
Funding Council	(337)	(291)	(628)
Other	-	(32)	(32)
	<u>(337)</u>	<u>(323)</u>	<u>(660)</u>
At 31 July 2014			
Funding Council	6,734	3,423	10,157
Other	-	126	126
	<u>6,734</u>	<u>3,549</u>	<u>10,283</u>

## 15 Reserves

	Consolidated		University	
	2014 £000	2013 £000	2014 £000	2013 £000
<b>Income and expenditure reserve</b>				
At 1 August	80,337	76,089	80,337	76,089
Surplus retained	3,753	1,898	6,120	1,898
Transfer from revaluation reserve to income and expenditure account	1,955	1,335	1,955	1,335
Actuarial (loss)/gain in pension scheme	(8,372)	1,015	(8,372)	1,015
At 31 July	<u>77,673</u>	<u>80,337</u>	<u>80,040</u>	<u>80,337</u>

For the year ended 31 July 2014

15 Reserves (continued)

Represented by:

	Consolidated		University	
	2014 £000	2013 £000	2014 £000	2013 £000
<b>Income and expenditure account</b>				
At 1 August	87,192	84,718	87,192	84,718
Surplus retained	3,753	1,898	6,120	1,898
Transfer of amount equivalent to additional depreciation of fixed assets	1,955	1,335	1,955	1,335
Transfer to pension reserve	(931)	(759)	(931)	(759)
At 31 July	<u>91,969</u>	<u>87,192</u>	<u>94,336</u>	<u>87,192</u>
	2014 £000	2013 £000	2014 £000	2013 £000
<b>Pension reserve</b>				
At 1 August	(6,855)	(8,629)	(6,855)	(8,629)
Movement in year:				
Current service cost	(3,897)	(2,868)	(3,897)	(2,868)
Employer contributions	3,859	3,512	3,859	3,512
Contributions in respect of unfunded benefits	41	40	41	40
Past service cost	(35)	(80)	(35)	(80)
Net interest return on assets (note 5)	963	155	963	155
Transfer from income and expenditure reserve	931	759	931	759
Actuarial (loss)/gain in pension scheme	(8,372)	1,015	(8,372)	1,015
At 31 July	<u>(14,296)</u>	<u>(6,855)</u>	<u>(14,296)</u>	<u>(6,855)</u>
	2014 £000	2013 £000	2014 £000	2013 £000
<b>Revaluation reserve</b>				
At 1 August	86,362	60,393	86,362	60,393
Transfer of amount equivalent to additional depreciation of fixed assets	(1,955)	(1,335)	(1,955)	(1,335)
Revaluation of fixed asset buildings	-	27,301	-	27,301
Revaluation of fixed asset investments	(12)	3	(12)	3
At 31 July	<u>84,395</u>	<u>86,362</u>	<u>84,395</u>	<u>86,362</u>

For the year ended 31 July 2014

**16 Lease obligations**

Annual rentals under operating leases commitments are as follows:

	Consolidated		University	
	2014 £000	2013 £000	2014 £000	2013 £000
<b>Land and buildings</b>				
Expiring within one year	-	14	-	14
Expiring within two to five years	749	749	749	749
Expiring over five years	1,503	450	450	450
	<u>2,252</u>	<u>1,213</u>	<u>1,199</u>	<u>1,213</u>

	Consolidated		University	
	2014 £000	2013 £000	2014 £000	2013 £000
<b>Other</b>				
Expiring within one year	44	5	44	5
Expiring within two to five years	152	141	152	141
Expiring over five years	-	-	-	-
	<u>196</u>	<u>146</u>	<u>196</u>	<u>146</u>

**17 Capital and other commitments**

	Consolidated & University	
	2014 £000	2013 £000
Commitments contracted for	27,962	3,190
Authorised but not contracted for	2,321	29,345
	<u>30,283</u>	<u>32,535</u>

The above commitments include the capital investment in the Heart of Campus development. Of the commitments, £10m (2013: £10m) will be funded from a 16 year loan facility agreed with Lloyds Banking Group and backed by the European Investment Bank, with the balance being funded from cash reserves and grants.

**18 Contingent liabilities**

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

For the year ended 31 July 2014

**19 Reconciliation of consolidated operating surplus to net cash inflow from operating activities**

	2014	2013
	£000	£000
Surplus after depreciation of assets, disposal of assets and taxation	3,743	1,785
Depreciation	4,944	4,251
Pension costs less contribution payable	32	(604)
Deferred capital grants released to income	(660)	(454)
Share of operating profit in joint venture	(142)	(27)
Endowment and investment income	(1,258)	(583)
Unrealised loss on revaluation	-	1,392
Decrease in stocks	62	7
Increase in debtors	(823)	(255)
Increase/(decrease) in creditors	3,091	(456)
Increase in provisions	154	573
<b>Net cash inflow from operating activities</b>	<b>9,143</b>	<b>5,629</b>

**20 Returns on investments and servicing of finance**

	2014	2013
	£000	£000
Income from endowments	25	89
Other interest received	352	327
<b>Net cash inflow from returns on investment and servicing of finance</b>	<b>377</b>	<b>416</b>

**21 Capital expenditure and financial investments**

	2014	2013
	£000	£000
Tangible assets acquired	(5,313)	(6,824)
Deferred capital grants	574	592
<b>Net cash outflow in respect of capital expenditure and financial investment</b>	<b>(4,739)</b>	<b>(6,232)</b>

**22 Management of liquid resources**

	2014	2013
	£000	£000
Decrease in deposits	1,970	3,000
	<b>1,970</b>	<b>3,000</b>

For the year ended 31 July 2014

**23 Analysis of changes in net funds**

	At 1 August 2013 £000	Cash flows £000	At 31 July 2014 £000
Cash at bank and in hand	6,321	6,761	13,082
Endowment assets	159	(10)	149
	<u>6,480</u>	<u>6,751</u>	<u>13,231</u>
Short term investments	24,500	(1,970)	22,530
	<u>30,980</u>	<u>4,781</u>	<u>35,761</u>

**24 Pension schemes**

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

The University contribution rates on eligible salary costs are:

	1/8/2013 to 31/07/2014
Academic staff STSS	14.9%
Administrative and Manual Staff SPF	19.3%
Academic staff USS	16.0%

	STSS 31 March 2005	SPF 31 March 2011	USS 31 March 2011
<b>Date of last actuarial review/valuation:</b>			
Market value of assets at date of last valuation	£13,030m	£11,322m	£32,434m
Proportion of members benefits covered by actuarial valuation	-	97%	92%
		<b>2014</b> <b>£000</b>	2013 £000

The total pension costs for the year were:

Normal contribution to:		
STSS – contributions paid	3,966	3,912
SPF – charge to income and expenditure account	3,897	2,868
USS – contributions paid	678	651
	<u>8,541</u>	<u>7,431</u>

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.



For the year ended 31 July 2014

24 Pension schemes (continued)

**The Strathclyde Pension Fund**

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

A valuation of the University's benefit obligations in respect of its members has been estimated by a qualified independent actuary based on the 31 March 2011 valuation results, rolled forward onto the FRS 17 assumptions at 31 July 2014. The major assumptions used are shown below.

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

<b>Financial assumptions</b>	<b>2014</b>	2013
Pension increase	<b>2.50%</b>	2.60%
Salary increase rate*	<b>3.80%</b>	4.65%*
Expected return on assets	<b>6.00%</b>	5.80%
Discount rate	<b>4.00%</b>	4.60%

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

**Mortality assumptions**

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

	<b>Male</b>	<b>Female</b>
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:

	<b>2014</b>		2013	
	<b>Long term rate of return</b>	<b>Value £000</b>	Long term rate of return	Value £000
Equities	<b>6.6%</b>	<b>85,732</b>	6.4%	78,697
Bonds	<b>3.5%</b>	<b>13,537</b>	3.8%	14,497
Property	<b>4.7%</b>	<b>7,896</b>	4.6%	7,249
Cash	<b>3.6%</b>	<b>5,640</b>	3.4%	3,107
		<b><u>112,805</u></b>		<u>103,550</u>

	<b>2014</b>	2013
	<b>£000</b>	£000
Fair value of plan assets	<b>112,805</b>	103,550
Present value of funded defined benefit obligations	<b>(126,642)</b>	(109,955)
Present value of unfunded defined benefit obligations	<b>(459)</b>	(450)
Net liability	<b><u>(14,296)</u></b>	<u>(6,855)</u>

For the year ended 31 July 2014

**24 Pension schemes** (continued)

	2014	2013
	£000	£000
<b>Movements in fair value of plan assets</b>		
At 1 August	103,550	84,359
Expected return on plan assets	6,102	4,194
Actuarial gains	530	12,509
Contributions by the employer	3,859	3,512
Contributions in respect of unfunded benefits	41	40
Contributions by members	1,339	1,216
Unfunded benefits paid	(41)	(40)
Benefits paid	(2,575)	(2,240)
At 31 July	<u>112,805</u>	<u>103,550</u>
	2014	2013
	£000	£000
<b>Movements in present value of defined benefit obligations</b>		
At 1 August	110,405	92,988
Current service cost	3,897	2,868
Past service costs	35	80
Interest cost	5,139	4,039
Actuarial losses	8,902	11,494
Contributions by members	1,339	1,216
Estimated unfunded benefits paid	(41)	(40)
Benefits paid	(2,575)	(2,240)
At 31 July	<u>127,101</u>	<u>110,405</u>
	2014	2013
	£000	£000
<b>Expense recognised in the income and expenditure account</b>		
Current service cost	3,897	2,868
Past service cost	35	80
Total operating charge	<u>3,932</u>	<u>2,948</u>
Expected return pension scheme assets	(6,102)	(4,194)
Interest cost	5,139	4,039
Total net finance return	<u>(963)</u>	<u>(155)</u>
<b>Total pension cost recognised in the income and expenditure account</b>	<u>2,969</u>	<u>2,793</u>

For the year ended 31 July 2014

24 Pension schemes (continued)

	2014 £000	2013 £000
<b>Statement of total recognised gains and losses (STRGL)</b>		
Actuarial (losses)/ gains	<u>(8,372)</u>	<u>1,015</u>

The cumulative actuarial losses recognised in the statement of total recognised gains and losses are £13,857k (2013: £5,485k).

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

	2014 £000	2013 £000	2012 £000	2011 £000	2010 £000
<b>Balance sheet</b>					
Present value of scheme liabilities	(126,642)	(109,955)	(92,547)	(84,784)	(76,511)
Fair value of scheme assets	112,805	103,550	84,359	82,111	71,817
Present value of unfunded liabilities	(459)	(450)	(441)	(438)	(279)
Net liability	(14,296)	(6,855)	(8,629)	(3,111)	(4,973)
<b>Experience adjustments</b>					
	2014 £000/%	2013 £000/%	2012 £000/%	2011 £000/%	2010 £000/%
Experience adjustments on scheme liabilities	(62)	(171)	865	(181)	10
Percentage of scheme liabilities	0.05	0.15	0.93	0.21	0.01
Experience adjustments on scheme assets	530	12,509	(5,784)	2,929	5,994
Percentage of scheme assets	0.47	12.08	6.86	3.56	8.34

The University expects to contribute approximately £3,809k to the Strathclyde Pension Fund in 2014/15. There were no outstanding contributions at the balance sheet date (2013: nil).

**The Scottish Teachers Superannuation Scheme**

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

The latest full actuarial valuation of the STSS received from the Scottish Public Pension Agency is as at 31 March 1996. However, an actuarial review as at 31 March 2005 was issued in June 2008 by the Government Actuary. This review shows assets of £13,030m and the review assumes that the investment rate of return would be 2% in real terms and that pensions would increase by 3.5% per annum in real terms. There were no outstanding contributions at the balance sheet date (2013: nil).

For the year ended 31 July 2014

**24 Pension schemes (continued)**

**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.

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

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

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

To calculate the technical provisions, it was assumed that the valuation rate of interest would be 6.1% per annum, salary increases would be 4.4% per annum (with short-term general pay growth at 3.65% per annum and an additional allowance for increases in salaries due to age and promotion reflecting historic scheme experience, with a further cautionary reserve on top for past service liabilities) and pensions would increase by 3.4% per annum for 3 years following the valuation then 2.6% per annum thereafter.

Standard mortality tables were used as follows:

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

For the year ended 31 July 2014

24 Pension schemes (continued)

Universities Superannuation Scheme (USS) (continued)

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

Male/Female currently aged 65	23.7/25.6 years
Male/Female currently aged 45	25.5/27.6 years

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

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

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

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

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

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

For the year ended 31 July 2014

**24 Pension schemes** (continued)

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

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

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

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

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

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

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

***New Entrants***

Other than in specific, limited circumstances, new entrants are now provided on a Career Revalued Benefits (CRB) basis rather than a Final Salary (FS) basis.

***Normal pension age***

The Normal pension age was increased for future service and new entrants, to age 65.

***Flexible Retirement***

Flexible retirement options were introduced.

***Member contributions increased***

Contributions were uplifted to 7.5% p.a. and 6.5% p.a. for FS Section members and CRB Section members respectively.

***Cost sharing***

If the total contribution level exceeds 23.5% of Salaries per annum, the employers will pay 65% of the excess over 23.5% and members would pay the remaining 35% to the fund as additional contributions.

For the year ended 31 July 2014

**24 Pension schemes** *(continued)*

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

**Pension increase cap**

For service derived after 30 September 2011, USS will match increases in official pensions for the first 5%. If official pensions increase by more than 5% then USS will pay half of the difference up to a maximum increase of 10%.

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

At 31 March 2014, USS had over 162,000 active members. At 31 July 2014 the University had 82 active members participating in the scheme and four members having elected for enhanced opt out from the Scheme. There were no outstanding contributions at the balance sheet date (2013: nil).

**25 Disclosure of related party transactions**

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

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

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

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

For the year ended 31 July 2014

**26 Childcare and Hardship Fund**

	Childcare Fund £000	Hardship Fund £000	Total £000
At 1 August 2013	-	4	4
Allocation received in year	528	1,005	1,533
Expenditure	(337)	(1,164)	(1,501)
Repaid by clawback	(1)	(3)	(4)
Institution contribution to funds (bank interest)	4	4	8
Virements	(170)	170	-
<b>At 31 July 2014</b>	<b>24</b>	<b>16</b>	<b>40</b>
<b>Repayable as clawback</b>	<b>24</b>	<b>16</b>	<b>40</b>
<b>Retained for students</b>	<b>-</b>	<b>-</b>	<b>-</b>

Funding Council grants are available solely for students. The University acts only as paying agent. The grants and related disbursements are therefore excluded from the Income and Expenditure Account.

**27 Post balance sheet events**

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

**28 Subsidiary undertakings**

The subsidiary companies 100% owned or controlled by the University are as follows:

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



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