



Annual Financial Statements

Year ended 31 July 2019



GCU
Glasgow Caledonian
University

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University's Professional Advisors

Bankers

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Glasgow G2 8BU

External Auditor

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Chartered Accountants
and Registered Auditor
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Glasgow G2 5AS

Tax Advisors

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Chartered Accountants and Registered
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Glasgow G2 5AS

PwC (from February 2019)
Chartered Accountants
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Glasgow G2 7EQ

Internal Auditor

Ernst & Young LLP
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Registered Charity No:
SC021474

Introduction from the Principal and Vice-Chancellor



Through these financial statements the University is again able to report an increased operating surplus for 2018/19 of £2.7m. This performance has been achieved through a range of measures including increased international student recruitment, success in attracting graduate apprentices, partnership working

at home and overseas, improvements in efficiency and continued pro-active cost control across the University.

The academic year 2018/19 has been an exceptional year for the University, a year in which we have continued to lead the sector in widening access to higher education from all backgrounds and achieved the Scottish Government targets, significantly improved our teaching and learning metrics and increased our research income in key areas in accordance with the United Nations Sustainable Development goals which serve as the framework for our Research Strategy.

Our continued efforts to improve the student experience was reflected in improved league table positions in the Compete University Guide, the Guardian and the Sunday Times University Guide. The Glasgow School for Business and Society delivered impressive results in the NSS and the School of Health and Life Sciences continued to perform well. Our approach to student wellbeing and support has also recently been recognised in the shortlist for the THE Award for Outstanding Support for Students, based on our partnership campaign co-created with our students' association which focuses on eradicating gender based violence: "Erase the Grey".

The University's student recruitment rates were strong for 2018/19, with growth in a number of key cohorts. Taught postgraduate student numbers increased by

11% and new international student numbers increased by 14%. Our successful award of additional Graduate Apprenticeship places resulted in increased student numbers and income, as well as enhancing our profile with Skills Development Scotland and industry partners. We also graduated our first two cohorts of students at Glasgow Caledonian New York College (GCNYC), won Homeland Security approval to recruit international students at GCNYC and achieved full Middle States accreditation which will enable home-based USA students to apply for student loans for their study.

There were many highlights over this past year from our work to promote our mission for the Common Good with amongst others: our leading role in social innovation developments; staff and student volunteering in the communities we serve; achieving a 91% student pass rate in the Advanced Higher Hub; our reaccreditation as a Changemaker campus with Ashoka U; our guarantee for care experienced applicants who meet minimum entry requirements a place at our University and our hosting of the inaugural World Forum on Climate Justice.

Overall, our values-led University has made excellent progress this year and I believe our reputation and esteem will continue to be enhanced further in the year ahead.

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

Professor Pamela Gillies CBE, FRSE
BSc, PGCE, MEd, MMedSci, PhD, FRSA, FFPH,
FACSS, Hon FRCPS (Glasg), DSc

Principal and Vice-Chancellor



Key Financial Highlights

The consolidated results for the year ended 31 July 2019 are summarised below:

	2018/19 £000	2017/18 £000
Income	124,326	119,821
Expenditure excluding restructuring, other exceptional provision and non-cash FRS 102 pension costs	121,581	119,056
Underlying operating surplus	2,745	765
Restructuring costs & other exceptional provision	(1,626)	(4,237)
FRS 102 pension costs adjustments	(8,993)	(4,083)
Deficit before other gains and share of deficit in joint venture	(7,874)	(7,555)
Other Items (including gains/losses, taxation and JV)	(241)	(211)
Deficit for the year*	(8,115)	(7,766)
Cash at bank including current investments	20,674	19,402
Unrestricted reserves	66,852	86,597
Net assets	142,885	162,568
Cash flow from operating activities	3,285	3,980

*Before other comprehensive income

Strategic Report

Glasgow Caledonian University had many positive achievements in academic year 2018/19 in support of our Common Good mission. The University's commitment to supporting the Sustainable Development Goals was recognised in the inaugural Times Higher Education University Impact Rankings 2019. GCU was ranked 44th in the world out of 500 participating universities in the global rankings.

The University's 2020 Strategy sets out the University's distinctive vision to achieve a global reputation for delivering social benefit and impact through education, research and innovation. As the University for the Common Good, GCU has five overarching strategic goals:

Goal one | Transforming lives through education

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

Goal two | Enriching cities and communities through research.

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

Goal three | Innovating for social and economic impact

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

Goal four | Engaging globally

We will harness our campuses in Glasgow and London, the Glasgow Caledonian New York College, and educational offerings in Oman and Bangladesh, to extend our global reach and impact, providing opportunities to engage in new ways with learners, partners and communities at home and overseas.

Goal five | Aligning for the Common Good

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



















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

Strategic indicators and monitoring framework

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

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

The University Court monitors the sustainability of the University through an annual Strategic Report which provides a full account of institutional performance against the 2020 Indicators.

Indicator	2020 Target and RAG status	2018-19 performance
Maintain a leading position for widening access with quality	In the Top 3 in Scotland	
Achieve excellent student satisfaction	90% NSS satisfaction	
	90% ISB satisfaction	
Ensure positive outcomes for our students and graduates	80% degree completion	
	7% non-continuation	
	95% employment PI	
	75% graduate level employment	
Diversify our student population, growing the proportion of postgraduate and international students	20% postgraduate students	
	15% international students (UK)	
	5,000 TNE students	
Enhance the global impact of our research, focussing on its reach and significance	£8M pa research income	
Increase income from research, commercial and knowledge exchange activities	£7.3M	
Enhance staff engagement and grow the proportion of our academic staff holding doctoral and postgraduate qualifications	80% staff engagement	
	55% doctorate	
	85% postgraduate	
Ensure financial sustainability	3% operating surplus	
Be recognised as a leading university for environmental sustainability	Improved carbon footprint	
	EcoCampus Platinum	

Performance in 2018/19

The University performed strongly in 2018/19 against the backdrop of a challenging external environment, with a number of Strategy 2020 Indicators outcomes being maintained or exceeded.

The University is committed to widening access with quality. GCU currently meets the Commission on Widening Access 2030 target, as 23.5% of our Scottish full-time first degree entrants are from 20% of Scotland's most deprived areas, and we consistently achieve SFC targets for articulation. A total of 97% of young first-degree entrants are from state school or college. The percentage of mature students from the most deprived areas is significant at 35%. In addition, 49% of first degree full-time UK entrants are the first from their family to attend university.

The University expanded its work to support veterans and, with the Scottish higher education sector, agreed to guarantee care experienced applicants who meet minimum entry requirements an offer of an undergraduate place. The Caledonian Club rolled out the Celebrating STEM project, piloted a new Families Connect Programme, and was recognised by the Scottish Children's Lottery with funding to support literacy. Our award-winning Advanced Higher Hub achieved an impressive pass rate of 91%, compared to the national average of 77.6% for the same subjects.

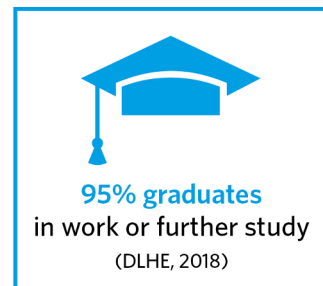


The University's performance in attracting widening access students is matched by above average retention rates for students from SIMD20 backgrounds. GCU performed well in the 2019 HESA Performance Indicators relating to projected learning outcomes. Projected degree completion at GCU is close to 80%, and our 'drop-out' rate is 9%, in line with the Scottish sector average. The University performs particularly well in terms of low rates of non-continuation of mature students compared to the sector, which signals our success in retention of mature and articulating students.



GCU is committed to delivering an outstanding student experience. The 2019 National Student Survey results were similar to those of the previous year, with overall satisfaction remaining at 81%, and we maintained positive performance in relation to key areas such as assessment and feedback. Six of GCU's subject areas are placed first in Scotland for student satisfaction. Overall satisfaction of international students is very high, as demonstrated in the International Student Barometer survey, at 92%.

Facilitating positive outcomes for our students is a key ambition. Over 80% of our students graduate with a First Class or 2:1 Honours Degree and 95% of our graduates are in work or further study within six months of graduating. GCU has close links with business, the professions and the public and voluntary sectors. A total of 84% of undergraduate programmes hold professional body accreditation and 72% offer work or clinical placements for students.




GCU has harnessed its substantial experience of industry-focused programmes and co-creation to pioneer a number of the new Graduate Apprenticeship programmes, resulting in growth in student numbers and income as well as raising our profile with Skills Development Scotland (SDS) and industry partners. The University holds UK Apprenticeship Training Providers registration for Degree Apprenticeship provision.

The University grew postgraduate taught and research student numbers in 2018/19, and international students numbers at our UK campuses increased by 5%. GCU has been at the forefront of transnational education (TNE) for many years and continues to apply a partnership approach to TNE development based on our University values. TNE student numbers increased by 10% in 2018/19 compared to the previous year. In total, international and TNE students represent 30% of overall student numbers. In terms of international mobility, 13.6% of students had undertaken an international study, volunteer or exchange experience during their time at GCU.

30% of our students are international



92% of which are happy with their lives at GCU
(ISB, 2018)



The wellbeing of our staff and students remains central to our ethos, as demonstrated by our commitment to positive mental health and the hugely successful “Erase the Grey” campaign which sought to eradicate gender-based violence on our campuses. The University was shortlisted for a UK THE Award for Outstanding Support for Students based on the success of the campaign. Amongst the many achievements of our students was the engagement of students with communities through the student-led Cyber Security Clinic and Law Clinic.

We have achieved our 2020 ambitions for academic staff with higher qualifications, with 56% of academic staff now holding a doctorate qualification.

The University continued to focus on leveraging strategic research collaborations, strengthening its research culture, and attracting high-calibre researchers. In 2018/19, research income was maintained at close to £6m. Satisfaction amongst research students improved significantly and GCU was shortlisted for the prestigious THE Award for PhD Supervisor of the Year.

Almost 90%
of our research in
Allied Health Professions
is classed as
internationally excellent
or world leading

Top 20 in the UK
for allied health research
at world-leading and
internationally excellent
standards

The profile of the University’s research with social impact was greatly enhanced through, for example, ground-breaking research into the impact of the HPV vaccine with academics from Universities of Strathclyde, Aberdeen and Edinburgh, and achievement of the KTP Partnership award at Innovate UK’s ‘Best of the Best’ Awards 2019. In June 2019, the University hosted the World Forum on Climate Justice in partnership with Elsevier.

Through our Centre for Climate Justice, the University takes a global lead in the delivery of action research which will improve policy, development and critical insights into climate justice. The aim is to deliver pragmatic and lasting solutions which improve the wellbeing of society, enhance people’s rights and promote a climate-just world.



Top in Scotland
for environmental
sustainability



Scotland’s first
EcoCampus Platinum
university

Our outstanding achievements in environmental sustainability include being ranked first in Scotland in the People & Planet University League 2019 for environmental and ethical performance, and re-certification as EcoCampus Platinum for environmental practices.

Risk and risk management

High-quality risk management is a positive process which supports and enhances business management. During 2018/19 the University carried out an extensive review of its risk management procedures and structures ensuring processes are embedded in the University's day to day business processes. These include: a refreshed Risk Management Policy and Risk Appetite and Tolerance statements, which guide the management of risk across the University; a Risk Management Forum, comprised of senior management from across the University to ensure that risks are identified and managed effectively; and a programme of staff development workshops. As detailed in the Corporate Governance Statement, the University maintains a comprehensive corporate risk register with risk analysis and local risk registers embedded in its Schools, Professional Support Departments and research and commercial projects. The University also maintains a Risk Events Log to record incidents where a risk has materialised within the institution, and to ensure any relevant lessons are learned and communicated.

The main risks facing the University are:

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

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

Financial sustainability: Cost inflation, rising pay and pension costs and the challenges facing the recruitment of international students all impact the financial sustainability of the University. Risks around pensions are linked to USS pension liabilities on the balance sheet as well as

revaluations in the Universities Superannuation Scheme (USS) scheme. Local government pension schemes have also experienced volatility in net liabilities due to general economic factors and the EU referendum outcome. Recruitment of international students, due to the difficulties faced by such students obtaining visas for study as well as general market competition, remains a concern.

Investment in People: The University's largest investment and primary asset is its staff. The University continues to focus on the associated risks ensuring that it has the correct skills mix of staff correctly deployed to deliver a high quality student experience while being cognisant of future sustainability challenges.

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

Estates and facilities

The University's strategy sets a clear ambition for GCU to become a digital university that transforms lives through education and engages globally through being creative, innovative and open to new ways of learning, teaching and collaborating. In order to facilitate this transformation, the University's teaching and learning estate has been reviewed and 'graded' against a set of criteria that identifies where our 'spaces' are now and to inform where they need to be to deliver the University's ambitions. In 2018/19 planning commenced on transforming our estate and re-energising learning and teaching at GCU to enhance the student and staff experience. The first phase of this will be carried out in 2019/20.

The creation of a collaborative working space for the Research Centre for Built Environment Asset Management (BEAM) was completed in October 2018.

2018/19 saw a continuation of investment within core teaching and research infrastructure.

Sustainability

GCU's commitment to embedding sustainability into its operations is underpinned by an Environmental Management System (EMS) that provides a robust framework for identifying risk and opportunities and putting in place measures that drive the University's environmental performance. The University's EMS was successfully re-certified EcoCampus Platinum (against ISO 14001:2015) in March 2019 by NQA Certification Limited on behalf of EcoCampus. GCU remains the only University in Scotland to operate an EMS with this level of certification. GCU has been rated first in Scotland in the People & Planet University League 2019 for its environmental and ethical performance. The University is the only institution in Scotland to be rated 'first class'. It climbed 18 places from last year's rankings to be placed 23rd out of 154 universities in the UK. People & Planet is the UK's largest student campaigning network. Its annual University League is the only league table that ranks UK universities on their environmental and social justice performance.

During 2018/19 we continued to support waste minimisation and sustainable travel, and introduced a new Sustainable Food Policy that will deliver a closer alignment of the on-campus food offer with the University's mission and values.

The University provided two internship opportunities (one supported by Cycling Scotland); opened a self-service maintenance hub for cyclists; installed additional sheltered bicycle parking; and introduced a number of waste minimisation and circular economy projects with our caterers.

Equality and diversity

The University continued to take a whole institution approach to mainstream equality and diversity into our functions, and during 2018/19, continued to make progress on implementing our Equality Outcomes 2017-2021. This supports our GCU Values, our vision of a culture at GCU that is inclusive of all sections of society and responsive to the needs of individuals, and ultimately our commitment as the University for the Common Good. The outcomes are focused on ensuring that our people have the right knowledge and skills to support and promote an inclusive working and learning environment, that we are accessible and welcoming, and that we provide people who have protected characteristics with the same opportunities as others to achieve positive work and study outcomes.

Our Equality Outcomes 2017-2021 help to fulfil our duties under the Equality Act 2010 by embedding equality and diversity across all University functions, projects and activities. The outcomes also support our GCU Values, and our Dignity at Work and Study Policy, which outlines the rights and responsibilities associated with this commitment and our zero tolerance approach to any form of unlawful discrimination, including harassment, victimisation, racism, sexism, homophobia or any other unacceptable behaviour towards any member of our community. This is implemented through student and staff training and engagement, including the embedding of equality, diversity, dignity and respect into student and staff induction, and communicating our success and good practice through internal and external channels and campaigns. GCU is committed to advancing gender equality through continued participation in Advance HE's Aurora programme and implementation of Athena SWAN commitments at University and School (SCEBE) level.

Disability

The University is a Disability Confident "Committed Employer" and strives to ensure that our recruitment processes are inclusive and accessible. The University gives equal consideration to all applications for employment. Where a candidate with a disability is appointed, full consideration is given to what reasonable adjustments are necessary to ensure that the person is not placed at a disadvantage, and is supported so that the requirements of the job can be fulfilled.

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

The University Disability Team seeks to promote a learning environment which minimises the impact of disability on the student experience, for example encouraging accessible teaching methods and learning materials and campus wide access to assistive technologies. The Disability Team also provides information, advice and services to students prior to their arrival at GCU. Accessibility of the campus was a central part of the Heart of Campus redevelopment. This has been further enhanced by engagement with DisabledGo to audit our accessibility and inform further improvements.

The University is committed to developing a culture to promote good mental health, and specific action plans for staff and students, informed by engagement of the respective staff and student communities at GCU, are being implemented.



Source: Biggar Economics



Financial Review

Scope of the financial statements

The financial statements have been prepared on a consolidated basis and include the results for the University and its subsidiary companies as set out within Note 26.

Results for the year

The University generated an underlying operating surplus, before significant items not influenced by day-to-day operations, of £2.7m (2017/18: £0.8m). Underlying operating surplus is defined as the surplus generated from normal activities and is the measure used by management throughout the year to measure the University's performance.

The underlying operating results are summarised below:

Consolidated:	2018/19 £000	2017/18 £000
Deficit for the year	(8,115)	(7,766)
Add back:	241	211
Other Items (including gains/ losses, taxation and JV)		
Restructuring costs & other provisions	1,626	4,237
FRS 102 pension costs adjustments	8,993	4,083
Underlying operating surplus	<u>2,745</u>	<u>765</u>

Net cash inflow from operating activities for the year was £3.3m, down from £4m in 2017/18, mainly driven by movements in Debtors and Creditors during the normal course of business.

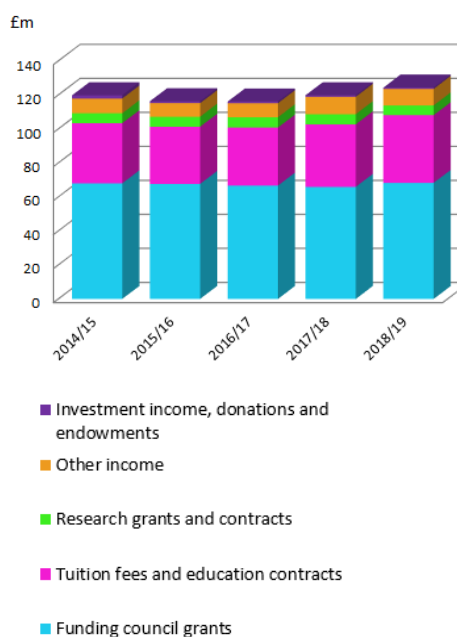
The University continues to hold small levels of long-term borrowing when compared to the majority of the Higher Education sector.

The University is reporting a consolidated deficit for the year, before other comprehensive income, of £8.1m (2017/18: £7.8m). As in previous years, the deficit includes a significant combined non-cash charge of £8.9m (2017/18: £4.1m) in respect of the accounting for both the Strathclyde Pension Fund current and past service staff costs and net interest charge and for the USS pension deficit provision adjustments. Such non-cash charges are being experienced nationally as the valuation of pension liabilities is impacted by the significantly lower net discount rate compared to 31 July 2018. In addition, legal cases such as the McCloud and GMP judgments have exceptionally impacted on the past service costs of LGPS schemes, and the increasing employer costs associated with the USS revaluation process are also acting to increase non-cash charges in 2018/19.

Income

Total Income has increased by 3.7% in 2018/19 to £124.3m (2017/18: £119.8m). Total income comprises funding council grants, tuition fees and education contracts, research grants, other income, investment income and donations and endowments.

The composition of income for the 5 years to 2018/19 is:



Scottish Funding Council (SFC) grants

The University received £68.3m (2017/18: £65.9m) in grant funding from the SFC, reflecting the allocations announced in the SFC funding outcome agreements for universities. While the largest element of this funding is the recurrent main teaching grant, it also includes SFC research and innovation grants and capital maintenance grants. Overall, grants have increased by £2.3m with an increase in funding for teaching of £1.7m. This is materially driven by the increase in government funding for additional student numbers for Nursing provision of £1.1m.

Tuition fees and education contracts

Tuition fees and education contract income in the year was £39.8m (2017/18: £36.8m). The increased tuition income was generated from additional Scottish and EU students across the University's taught postgraduate portfolio (£1.5m), growth in the Graduate Apprenticeships (£1.1m) and further development of strategic Transnational partnerships (£0.4m).

Research grants and contracts

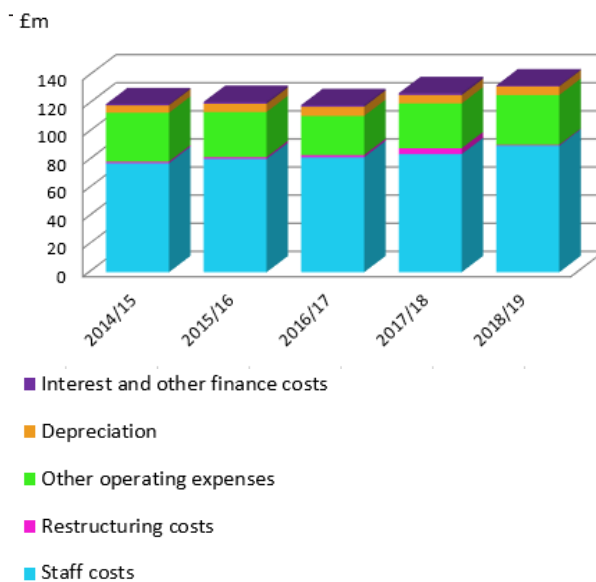
Research income in 2018/19 was £5.8m (2017/18: £6.0m). Despite an increase of £0.2m relating to Government and Research Grants this has been offset with reductions in Industry and Commerce (UK and Overseas) and Research council grants of £0.4m. Growth in UK Government-funded, Charity-funded and EU-funded Research projects has been offset by the completion of a major multi-year Research Council grant.

Other income

The University generated £9.7m (2017/18: £10.3m) in other income. The reduction in year was mainly driven by lower external payroll recoveries, with other reductions experienced across catering, and rental income.

Expenditure

Total expenditure has increased by £4.8m to £132.2m (2017/18: £127.4m). With grant funding settlements from the SFC expected to be below-inflation over the coming years the inflationary pressure on costs is being met by continued efforts across the University to drive productivity and focus on a series of efficiency savings. Expenditure comprises staff, severance, other operating costs, the depreciation of fixed assets interest and finance costs.



Staff costs

Staff are one of the University's most important assets and costs in relation to this resource were £90.1m (2017/18: £84.0m) against an average employee base of 1,372 (2017/18: 1,409). Salary costs include the 2.0% pay increase approved by the University and College Employers Association (UCEA) and awarded from 1 August 2018 and the progression of staff incremental pay scales. Excluding non-cash pension adjustments of £3m, the underlying year on year increase in staff costs is £2.3m. Pension costs for the year of £17.4m (2017/18 £13.6m) include the non-cash Strathclyde Pension Fund current and past service costs of £6.9m (2017/18: £3.4m).

Staff severance costs in the financial year were £0.6m (2017/18: £4.2m). Staff severances are aimed at repositioning resource to meet the requirements of the University's future sustainability plans within the Strategy 2020. During the year a Voluntary Severance Scheme with costs of £0.6m and linked to specific organisational change was open.

Other operating costs

Other costs, which include expenditure on subsidiary company activities, student accommodation, scholarships, premises costs and library services, have increased to £34.7m (2017/18: £31.8m). Increased costs are associated with international student recruitment and the University continuing its investment in improving building interiors. The University has also experienced an increase in energy supply costs.

Procurement

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

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. The University paid 77% of its invoices within 30 days of receipt of a valid invoice. The amount of interest paid in the year under the Late Payment of Commercial Debts (Interest) Act 1998 was nil.

Balance Sheet

Total net assets have decreased by £20.7m to £142.9m as at 31 July 2019 (2017/18: £163.6m). The decrease in net assets is primarily attributable to the increase of £20m in the University's share of the accounting liability in the Strathclyde Pension Fund as at 31 July 2019. The increased liability is the result of a combination of a significantly lower discount rate arising from a fall in AA corporate bond yields coupled with the inclusion of an allowance for the potential impact of the McCloud and GMP judgements within past service costs.

Treasury

Taken together investments, cash and cash equivalents have increased to £20.7m (2017/18: £19.4m). Due to the timing of placements, at year end the balance towards investments has increased to £11m (2017/18: £5m). The investments consist of short term deposits with approved institutions.

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

Borrowing

During the year repayments were made towards the initial £10m loan facility with Lloyds Banking Group, backed by European Investment Bank. As at 31 July 2019, £7.4m remained outstanding.

Asset Impairment

The University has in place a public benefit concessionary loan arrangement to fund Glasgow Caledonian University New York College (GCNYC). As in previous years and in line with the requirements of accounting standards consideration has been given as to whether an impairment of the loan value has occurred. This process includes management identification and review against potential trigger events which may lead to impairment. The process this year did identify a trigger event, leading to a review of the anticipated payback period of the loan. This review identified that while extending the anticipated payback period it was still within a period acceptable to the University. Included within the University's considerations have been the notable achievements of securing Student & Exchange Visitor Program (SEVP) status which enables the College to sponsor international students for entry into the USA and subsequent to the reporting period the College has received Title IV approval enabling US students access to federal loan funding for College Programmes.

Capital investments

In addition to the significant on-going implementation of a new student records system, the University continues to invest in IT infrastructure, estate improvements, and enhancing learning and teaching facilities for students with £2.6m spent on capital additions in the year. The Infrastructure Group meets regularly to review, agree and prioritise the medium-term rolling Infrastructure Plans for Information Services, Estates, Schools and other appropriate Professional Support Departments. This ensures longer planning horizons are set, with the affordability of the programme being considered against the overall financial position of the University.

Financial strategy

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

Key Financial Metrics:

	Actual 2019	Actual 2018	Target 2020
Total Income £000	124,326	119,821	123,000
*Underlying operating surplus as % of income	2.1%	0.6%	3%
Net cash inflow from operating activities as a % of income	2.6%	3.3%	4%
Staff costs as a % of income	66%	67%	60%
SFC grants as a % of income	55%	55%	53%
Gearing: external borrowing to total funds	0.05	0.05	Maximum 0.5

*Excludes severance, non-cash FRS 102 pension costs and provisions for exceptional items.

With prior year metrics demonstrating the challenges faced by the University, it is recognised that long term financial sustainability will only be achieved by the ability to invest and grow in areas of academic strength.

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

Given the continuing nature of the financial pressures both in-year and forecast throughout the planning horizon, there remains a clear focus on maintaining and building the University's cash reserves through identifying and delivering income growth, actively managing staff costs and generating surpluses through new business opportunities.

Pensions

The University participates in three separate multi-employer defined benefit pension schemes, the Strathclyde Pension Fund (SPF), the Scottish Teachers Superannuation Scheme (STSS) and the Universities Superannuation Scheme (USS). Details of the accounting policies are set out on Pages 31 and 32, with further disclosures set out in note 27.

The University accounts for the SPF in accordance with the requirements of FRS 102. Within total net assets is the pension liability in relation to the University's share of assets and liabilities in the SPF. In 2018/19 the liability has increased from £6.4m to £26.4m. This is mainly due to the significantly lower discount rate of 2.3% in 2019 compared to 2.9% in 2018. As the discount rate is impacted by the UK Corporate Bond Yields the volatility of the markets have resulted in the yields available at 31 July 2019 being significantly lower than those available at the same time in 2018. This lower discount rate therefore places a higher value on the obligations of the employer hence the significant increase in the pension liability at 31 July 2019. Furthermore 2018/19 has felt the estimated impact of the McCloud and GMP judgements on public sector pensions. Both judgements anticipate that benefits will increase exceptionally this year, employers have reported within past service costs, the anticipated costs associated with each.

The University continues to take the exemption permitted under FRS 102 to disclose the STSS Scheme and the USS Scheme as defined contribution schemes as both schemes are not able to calculate individual employers' share of the overall deficit. A liability is recognised, however, within provisions for GCU's share of the obligation to fund past deficits within the USS scheme. The 2017 valuation of the USS scheme indicated a £7.5 billion shortfall which resulted in a significant increase in the University's provision in year. The provision for 2018/19 is £2.8m compared to £0.9m in 2017/18 an increase of £1.9m. The significant increase has resulted from anticipated increased employer contributions coupled with a change in assumptions.

Looking forward

The University, as with many other Higher Education institutions, continues to operate in a challenging and uncertain financial environment. The Risk Management Forum, comprising senior management from across the University, assess the risks and challenges that the University faces in the external environment including SFC grant settlements and increasing pension cost. Brexit continues to be a major focus for the University with contingency plans and actions in place to help mitigate the impacts as they arise. Although the full extent remains unknown and is dependent upon both Scottish and UK governmental policies, the University has taken steps to prepare for possible outcomes. GCU has made significant progress towards the achievement of its strategic goals over the last year including improved performance against a number of financial KPIs. Our future financial plans continue to centre on growing and diversifying income streams while actively managing all aspects of the cost base.

Corporate Governance Statement

Introduction

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

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

Statement of full compliance

A revised Scottish Code of Good Higher Education Governance was published in 2017 and reflects the requirements of the Higher Education (Scotland) Governance Act 2016. There is currently a period of transition as the University amends its Statutory Instrument to reflect the new legislation and associated elements of the Code. The deadline for full compliance of the legislation is 31st December 2020.

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

Governing body

Court

In accordance with the Scottish Code of Good Higher Education Governance (the Code), Court has a Statement of Primary Responsibilities outlining which matters are reserved for consideration by the Court and which can be delegated by the Court to its committees. The Responsibilities are shown in full on page 22. This is one of the key documents against which the effectiveness of the Court is measured. The Statement of Primary Responsibilities is subsidiary to the Glasgow Caledonian University Order of Council 2010. Court reviews its Statement of Primary Responsibilities at the first meeting of the academic session.

Court met five times in 2018/19. Court also holds a strategic planning event early in each session and is fully involved in discussions on the development of the University's Corporate Strategy.

Court and Senate have agreed procedures for reviewing their effectiveness. An externally facilitated review of Court's effectiveness is carried out not less than every five years as set out in the Code, although there are interim arrangements to keep effectiveness under constant review.

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

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

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

Court has agreed procedures for appraising the performance of the Chair of Court. The most recent Chair of Court was appointed on 6th February 2018, and a review of his performance was undertaken in September 2019.

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

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

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

Court delegates the co-ordination, development and supervision of the academic work of the University to Senate subject to the general control and direction of Court. Senate met four times in 2018/19. All lay Court members are expected to attend at least one meeting of Senate per year.

Fundamental to the University's leadership in promoting the Common Good and the delivery of its 2020 Vision is the commitment to embedding equality and diversity. The University has a duty under the Equality Act 2010 to publish a Public Sector Equality Duty Report every two years describing its progress on mainstreaming equality and delivering equality outcomes. The University's Public Sector Equality Duty Report 2019 was approved by Court at its meeting on 2nd May 2019.

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.

There are five committees: Audit Committee, Remuneration Committee, Court Governance & Nominations Committee, Finance and General Purposes Committee and People Committee, each of which has formally constituted terms of reference. Each committee reviews its terms of reference annually and submits these to Court for approval normally at the first meeting of the academic session and each Committee reports regularly to Court on its work.

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

Audit Committee

The Audit Committee met four times in 2018/19 with the University's external and internal auditors in attendance. The Audit Committee advises the University on the appointment of the internal and external auditors and the auditors' remuneration and assesses the effectiveness of the auditors annually. The Chair of Audit liaises with the internal auditors and the Committee meets privately with either or both of the internal and external auditors annually if it wishes.

The University's internal auditors monitor the systems of internal control, risk management controls and governance processes in accordance with a risk based three-year strategic plan and a specific annual agreed plan of input, and they report their findings to management and the Audit Committee. Management is responsible for the implementation of agreed audit recommendations and the internal auditors undertake periodic follow-up reviews to ensure that 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 and the University's risk management.

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

The Principal and Vice-Chancellor, the Chief Operating Officer and the University Secretary and Vice Principal (Governance), routinely attend meetings of the Audit Committee but they are not members of the committee. Other senior staff attend as necessary. One Staff Governor is also a member. Subsequent to the end of 2018/19. The Student Governor was appointed by the Audit Committee.

Remuneration Committee

The Remuneration Committee met twice in 2018/19. The Committee sets the parameters for the remuneration of senior staff, determines the remuneration of members of the Executive and other senior staff earning £100k or more, and recommends the remuneration of the Principal and Vice-Chancellor to the University Court. Information on the remuneration of senior staff for the year ended 31 July 2019 is set out in note 7 to the financial statements. The membership of the Committee includes staff and student governors.

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

reviews the Remuneration Philosophy to ensure it remains fit for purpose. The Remuneration Philosophy is submitted to Court annually for approval. The philosophy is underpinned by the following principles:

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

The philosophy is shaped by internal and external considerations, including the size and scale of the organisation, its performance and the need to position the University competitively. The Committee draws on extensive contextual and comparative data and considers wider political and economic factors as appropriate. The Committee also seeks independent advice from time to time to inform its decisions, and consults with staff and student representatives in preparation for its annual deliberations.

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

The Remuneration Committee delegates responsibility to the Remuneration Panel (composed of the Executive Board with the Chair of the Remuneration Committee attending as an observer) for determining the remuneration of Professorial and Senior Management staff earning below the £100k threshold. The Remuneration Committee was advised of the outcomes of the work of the Remuneration Panel and its decisions about the remuneration of relevant staff for 2018/19.

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

- All institutions
- Post 92 Universities and Higher Education Colleges - (All)
- Post 92 Universities and Higher Education Colleges -

£110m to £160m income

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

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

The Committee is chaired by the Deputy Chair of Court, and the Chair of Court is a member. The Principal is not a member of the Remuneration Committee but attends meetings of the Remuneration Committee. She is not present for any discussions on her own remuneration.

*Although the University is not a member of the University Alliance, its information continues to be included for 2018/19 as this benchmark data is a useful comparator given the nature of institutions within the Alliance.

Court Governance and Nominations Committee

The Court Governance and Nominations Committee met once in 2018/19. The task of searching for new lay governors, and making recommendations to fill vacancies had been delegated to a smaller group overseen by the Committee.

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

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

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

The gender balance of lay governors on Court at the start of 2018/19 was 64% male and 36% female. Over the course

of the year, five new lay governors were recruited and one governor resigned, resulting in the gender balance for the final court meeting of the year on 20th June 2019 being 56% male and 44% female.

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

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

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

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

Finance and General Purposes Committee

The Finance and General Purposes Committee met five times in 2018/19. It recommends to Court the University's annual revenue and capital budgets and monitors performance in relation to the approved budgets and long term financial forecasts. The committee also reviews major investment decisions prior to presentation to, and final approval by, Court.

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

The membership of the Committee includes staff and student governors.

People Committee

The People Committee met three times in 2018/19. It reports to Court on the development, implementation and monitoring of the people strategy and staff policies that support the University Strategy and legislative/regulatory requirements, staff consultative processes and has oversight of the management of all activities of the University as they relate to the duties and responsibilities in respect of equality and diversity and the health and wellbeing of staff, students and visitors.

Corporate Strategy

The University has a comprehensive strategic planning process in place which is characterised by both short and medium term strategic objectives, SMART targets and key performance indicators. Court members are fully involved in the deliberations on strategic development and Court receives the final Strategic Plan, including financial estimates from the University Executive Board, for approval. The University's supporting Five Year Financial Plan is reviewed and updated on an annual basis.

Through an extensive process of consultation and stakeholder involvement, workshops and other meetings, Court members were involved in developing the University's Strategy 2020. Court agreed the University's 2020 Strategic mission, values, goals and key performance indicators in 2015. The Strategy 2020 has been developed together with the creation of a strategic framework to support the delivery of institutional goals. In 2018/19 work began on developing the University's Strategy 2030 which will be completed in 2019/20.

Risk management and internal control

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

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

The University Executive Board and the Chair of Finance and General Purposes Committee receive monthly reports on

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

Project management is in place during the lifecycle of all major projects, with a nominated Executive member assigned to lead such projects.

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

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

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

The corporate risk register includes impact analysis and mitigating actions and is reviewed annually by Court, biannually by the Audit Committee and Finance and General Purposes Committee and quarterly by the University Executive Board. Risk management is embedded within the daily operations of the University from strategy formulation through to business planning and processes. The Court conducts a risk workshop annually in reviewing the risk register, and Committees of Court will map risks on the register against their remits to facilitate systematic monitoring. Additionally, the Principal incorporates any changes to risk identified by the Executive Board, in her report to Court.

All Schools and Professional Support Departments have operating plans which identify risks and issues. In addition, there is a University Business Continuity Plan which is reviewed annually. Each School and Professional Support Department has local plans which are kept under review. Where required, risk registers are amended to reflect any issues arising. As new legislation arrives, actions are taken by internal committees to ensure compliance and committee papers must indicate how the actions proposed address compliance with legislation. All policies are reviewed annually to ensure their legislative and/or regulatory compliance.

Accordingly, Court considers that there is a robust process for identifying, evaluating and managing the University's significant risks, which has been in place throughout the year ended 31 July 2019 and up to the date of approval of the Annual Financial Statements. This process is reviewed by Court and accords with the Turnbull guidance, as applicable to the higher education sector.

Stakeholder Consultation

The University engages the staff and student community through regular open meetings. Additionally there were events at both the Glasgow and London campuses to review the preceding year's performance against KPIs and to discuss and seek input to its emergent 2030 strategy. External stakeholders are engaged through diverse events which include presentations reviewing performance where appropriate. The University will be holding its inaugural public stakeholder event during 2019/20.

Going concern

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

Conclusion

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

Mr Rob Woodward
Chair of University Court

Statement of Primary Responsibilities of the Court

Under the terms of the Glasgow Caledonian University Order of Council 2010, Court is the governing body of the University and, as such, is responsible for overseeing the management and administration of the whole of the revenue and property of the University. Court exercises general control over the University and all its affairs, purposes and functions, taking all final decisions on matters of fundamental concern to the University.

Specifically, Court's Primary Responsibilities are detailed as follows:

Staff and Students

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

Financial responsibilities

5. To ensure the solvency of the University and to safeguard its assets.
6. The preparation and approval of the University's annual accounts and report.
7. 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.
8. 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

9. 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.
10. To approve all substantive policies of the University.

Controls

11. To ensure that the University operates in accordance with the University's Statutory Instrument as well as all applicable legislation.
12. 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.
13. To ensure that systems are in place for the assessment and management of risk.
14. To ensure the existence and integrity of financial control systems and to monitor these through the Audit Committee.
15. 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

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

Membership of Court and Key Committees

University Court Members

Professor Pamela Gillies
Principal and Vice-Chancellor
Mr Peter Baguley (from 01.06.19)
Dr Douglas Chalmers
Dr Morag Ferguson
Mr Campbell Fitch (from 01.04.19)
Ms Sylvie Freund Pickavance (from 01.03.19)
Miss Eilidh Fulton
President of the Students' Association (from 04.06.19)
Mr Daniel Gallacher
Ms Laura Gordon (to 31.07.19)
Dr Bill Gunnyeon
Mr Asif Haseeb
Mr J Gordon Jack
Mr Ian Kerr
Mr Austin Lafferty (to 01.10.18)
Ms Sharon Lowrie (from 01.01.19)
Ms Meg Lustman (from 01.03.19)
Mrs Neena Mahal
Professor Ann Priest
Dr Davena Rankin (to 31.07.19)
Mr Paul Reynolds (to 31.07.19)
Ms Rachel Simpson
President of the Students' Association (to 31.05.19)
Ms Lesley Thomson
Mr Alistair Webster
Mr Rob Woodward *Chair*
Professor Stephanie Young *Vice-Chair*
Mr David Halliday (from 01.08.19)

Members of Audit Committee

Mr Danny Gallacher (from 01.06.19)
Mr Asif Haseeb
Mr Austin Lafferty (to 01.10.18)
Dr Davena Rankin (to 31.07.19)
Mrs Neena Mahal (to 01.08.19)
Ms Lesley Thomson (from 01.06.19)
Mr Alistair Webster *Chair*
Mr David Halliday (from 01.08.19)
Ms Eilidh Fulton (from 25.10.19)

Members of Remuneration Committee

Mr Douglas Chalmers
Mr Campbell Fitch (from 01.04.19)
Ms Eilidh Fulton (from 04.06.19)
Ms Laura Gordon (to 31.07.19)
Mr J Gordon Jack

Ms Rachel Simpson (to 31.05.19)
Mr Rob Woodward
Professor Stephanie Young *Chair*

Members of Court Governance and Nominations Committee

Dr Morag Ferguson
Professor Pamela Gillies
Ms Laura Gordon (to 31.07.19)
Mr Ian Kerr
Ms Rachel Simpson (to 31.05.19)
Mr Rob Woodward *Chair*
Professor Stephanie Young
Ms Sylvie Freund Pickavance (from 01.05.19)
Miss Eilidh Fulton (from 03.06.19)

Members of Finance and General Purposes Committee

Dr Morag Ferguson
Mr Peter Baguley (from 03.06.19)
Ms Eilidh Fulton (from 04.06.19)
Mr Daniel Gallacher (to 01.06.19)
Professor Pamela Gillies
Mr J Gordon Jack
Mr Ian Kerr *Chair*
Ms Sharon Lowrie (from 01.02.19)
Mrs Susan Mitchell (from 01.10.18)
Mr Paul Reynolds (to 31.07.19)
Ms Rachel Simpson (to 31.05.19)
Ms Lesley Thomson (to 01.06.19)

Members of People Committee

Dr Douglas Chalmers
Ms Eilidh Fulton (from 04.06.19)
Professor Pamela Gillies
Dr Bill Gunnyeon
Mr Austin Lafferty (to 01.10.18)
Mrs Neena Mahal *Chair*
Dr Davena Rankin (to 31.07.19)
Mr Paul Reynolds (to 31.07.19)
Ms Rachel Simpson (to 31.05.19)
Professor Stephanie Young
Mr Campbell Fitch (from 01.05.19)
Mr David Halliday (from 01.08.19)
Ms Meg Lustman (from 26.09.19)

Governor Development

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

Lay governors participate in a link scheme whereby each governor is associated with a different School, professional services department or other significant focus of activity across the University as a method of promoting understanding and interaction between Court members and the wider University.

There is a programme of ongoing development for governors which includes presentations and briefings on areas of the University's work, sector updates and a subscription to the Times Higher Educational Supplement. During 2018/19 governors were given the opportunity to attend a risk management briefing.

The University is strongly committed to governor development and sees it as an important part of the infrastructure to sustain high quality governance. Governors are therefore given the opportunity to attend events run by the LFHE - Leadership Foundation for Higher Education - which provides a Governor Development Programme with a range of courses from governor induction to knowledge and skills development. Governors appointed during 2018/19, having served a year on Court and having developed an understanding of the issues facing the University and the HE sector, will be invited to attend the LFHE seminar for new governors of Scottish institutions which will give them the opportunity to discuss current issues and share practice.

Attendance at University Court and Committee Meetings for the year to 31 July 2019

Member	Date from/to	Court 5 in year	Audit 4 in year	Remuneration 2 in year	Court Governance & Nominations 1 in year	Finance & General Purposes 5 in year	People 3 in year
Professor Pamela Gillies, <i>Principal and Vice-Chancellor</i>		5			1	4	2
Mr Peter Baguley	From 01/06/19	1*				0*	
Dr Douglas Chalmers		5		1			2
Dr Morag Ferguson		5			1	4	
Mr Campbell Fitch	From 01/04/19	2*		1*			1*
Ms Sylvie Freund Pickavance	From 01/03/19	3*					
Miss Eilidh Fulton	From 04/06/19	1*				1*	1*
Mr Daniel Gallacher		5*	1*			4	
Ms Laura Gordon	To 31/07/19	3		1	1		
Dr Bill Gunnyeon		5					3
Mr Asif Haseeb		5	4				
Mr J Gordon Jack		5		1		5	
Mr Ian Kerr		5			1	5	
Mr Austin Lafferty	To 01/10/18	0*					
Ms Sharon Lowrie	From 01/01/19	2 + R				3*	
Ms Meg Lustman	From 01/03/19	3*					
Mrs Neena Mahal	To 01/07/19	5	4				3
Mrs Susan Mitchell	From 01/10/18					4	
Professor Ann Priest		3					
Dr Davena Rankin	To 31/07/19	2 + R	3				2 + R
Mr Paul Reynolds	To 31/07/19	4				5	2
Ms Rachel Simpson	To 31/05/19	4*		2	0		2
Ms Lesley Thomson		5	4			4	
Mr Alistair Webster		5	4				

Attendance at University Court and Committee Meetings for the year to 31 July 2019 (contd)

Member	Date from/to	Court 5 in year	Audit 4 in year	Remuneration 2 in year	Court Governance & Nominations 1 in year	Finance & General Purposes 5 in year	People 3 in year
Mr Rob Woodward (Chair of Court)		5		2	1		
Professor Stephanie Young (Vice Chair of Court)		4		2	1		3

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

*Attendance reflects appointments made to/resignation from Court/Committee during the year.

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

The Deputy Vice-Chancellors, Pro Vice-Chancellors, Chief Operating Officer and members of senior management as appropriate, are in attendance at Court.

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

Report on the Audit of the Financial Statements *Opinion*

We have audited the financial statements of Glasgow Caledonian University ("the University") for the year ended 31 July 2019 which comprise the Consolidated Statement of Comprehensive Income and Expenditure, the Consolidated and University Statement of Changes in Reserves, the Consolidated and University Balance Sheet, the Consolidated Statement of Cash Flows and the related notes, including the Statement of Accounting Policies. In our opinion the financial statements:

- give a true and fair view of the state of the Group's and the University's affairs as at 31 July 2019 and of the Group's and the University's income and expenditure, gains and losses and changes in reserves and of the Group's cash flows for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland, and with the 2015 Statement of Recommended Practice – Accounting for Further and Higher Education; and
- have been prepared in accordance with the Charities and Trustee Investment (Scotland) Act 2005 and regulation 14 of the Charities Accounts (Scotland) Regulations 2006 (as amended).

Basis for opinion

We have been appointed as auditor under section 44 (1)(c) of the Charities and Trustee Investment (Scotland) Act 2005 and report to you in accordance with the regulations made under that Act.

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

The impact of uncertainties due to the UK exiting the European Union on our audit

Uncertainties related to the effects of Brexit are relevant to understanding our audit of the financial statements. All audits assess and challenge the reasonableness of estimates made by the Court, related disclosures and the appropriateness of the going concern basis of preparation of the financial statements. All of these depend on assessments of the future economic environment and the

University's future prospects and performance.

Brexit is one of the most significant economic events for the UK, and at the date of this report its effects are subject to unprecedented levels of uncertainty of outcomes, with the full range of possible effects unknown. We applied a standardised firm-wide approach in response to that uncertainty when assessing the University's future prospects and performance. However, no audit should be expected to predict the unknowable factors or all possible future implications for a company and this is particularly the case in relation to Brexit.

Going concern

The University Court of Glasgow Caledonian University has prepared the financial statements on the going concern basis as they do not intend to liquidate the Group or the University or to cease their operations, and as they have concluded that the Group and the University's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over their ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least a year from the date of approval of the financial statements. In our evaluation of the University Court's conclusions, we considered the inherent risks to the Group's business model, including the impact of Brexit, and analysed how those risks might affect the Group and the University's financial resources or ability to continue operations over the going concern period. We have nothing to report in these respects.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the Group or the University will continue in operation.

Other information

The University Court of Glasgow Caledonian University is responsible for the other information, which comprises all of the information in the Annual Report other than the

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

financial statements and our auditors' report thereon. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except as explicitly stated below, any form of assurance conclusion thereon. Our responsibility is to read the other information and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. We are required to report to you if:

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

We have nothing to report in these respects.

Matters on which we are required to report by exception

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

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

We have nothing to report in these respects.

The University Court's responsibilities

As explained more fully in their statement set out on page 22, the University Court of Glasgow Caledonian University is responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as it determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the group and parent University's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless it either intends to liquidate the group or the parent University or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not

guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

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

Report on other Legal and Regulatory Matters

We are required under the terms of our engagement to report on the following matters. In our opinion, in all material respects:

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

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

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

Andrew Shaw (Senior Statutory Auditor) for and on behalf of KPMG LLP, Statutory Auditor

Chartered Accountants

319 St Vincent Street, Glasgow, G2 5AS

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

Statement of Accounting Policies

Basis of preparation

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

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

Basis of consolidation

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

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

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

Income recognition

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

Fee income

Fee income is stated gross of any expenditure which is not

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

Grant funding

Government revenue grants including funding council block grants and research grants are recognised as income over the periods in which the University recognises the related costs for which the grant is intended to compensate. Where part of a government grant is deferred it is recognised as deferred income within creditors and allocated between creditors due within one year and due after more than one year as appropriate. Grants (including research grants) from non-government sources are recognised as income when the University is entitled to the income and performance related conditions have been met. Income received in advance of performance related conditions being met is recognised as deferred income within creditors on the Balance Sheet and released to income as the conditions are met.

Capital grants

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

Donations and endowments

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

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

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

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

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

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

Employment benefits

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

Leases

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

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

Foreign currency

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

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

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

Fixed assets

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

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

Land and buildings

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

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

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

Equipment, plant and furniture

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

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

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

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

Borrowing costs

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

Investments

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

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

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

Stock

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

Cash and cash equivalents

Cash includes cash in hand, deposits repayable on demand and overdrafts. Deposits are repayable on demand if they are in practice available within 24 hours without penalty.

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

Provisions, contingent liabilities and contingent assets

Provisions are recognised in the financial statements when:

- The University has a present obligation (legal or constructive) as a result of a past event;
- It is probable that an outflow of economic benefits will be required to settle the obligations; and
- A reliable estimate can be made of the amount of the obligation.

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

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

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

Retirement benefits

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

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

Strathclyde Pension Fund

SPF is accounted for as a defined benefit scheme. The University's obligation is to provide the agreed benefits to current and former employees, and actuarial risk (that benefits will cost more or less than expected) and investment risk (that returns on assets set aside to fund the benefits will differ from expectations) are borne, in substance, by the University. The University recognises a liability for its obligations under the scheme, net of scheme

assets. This net defined benefit liability is measured as the estimated amount of benefit that employees have earned in return for their service in the current and prior periods, discounted to determine its present value, less the fair value (at bid price) of plan assets. The calculation is performed by a qualified actuary using the projected unit credit method. Where the calculation results in a net asset, recognition of the asset is limited to the extent to which the University is able to recover the surplus either through reduced contributions in the future or through refunds from the scheme.

Scottish Teachers Superannuation Scheme

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

Universities Superannuation Scheme

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

Taxation

The University is an exempt charity within the meaning of the Trustee Investment and Charities (Scotland) Act 2005 and, as such, is a charity within the meaning of section 506(1) of the Income and Corporation Taxes Act 1988. The University is recognised as a charity by HM Revenue & Customs and is recorded on the index of charities maintained by the Office of the Scottish Charity Regulator (Charity No. SC021474). It is therefore a charity within the meaning of Para 1 of schedule 6 to the Finance Act 2010 and accordingly, the University is potentially exempt from taxation in respect of income or capital gains received within categories covered by section 478-488 of the Corporation Tax Act 2010 (CTA 2010) or section 256 of the Taxation of Chargeable Gain Act 1992, to the extent that such income or gains are applied exclusively to charitable purposes.

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

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

Financial instruments

Financial instruments are recognised in the Balance sheet when the University becomes party to the contractual provisions of the instrument. All of the University's financial instruments are classified as 'basic' in accordance with Chapter 11 of FRS102.

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

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

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

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

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

Public Benefit Concessionary Loans

Where loans are provided at below the prevailing market rate of interest, not repayable on demand and made for the purpose of furthering the objectives of the University, they are classified as concessionary loans.

The University's choice of policy is to measure at cost less impairment, as opposed to amortised cost.

Such loans are recognised in the statement of financial position and adjusted at the period end to reflect any accrued interest payable. Where a loan is interest free, no interest is charged in subsequent years.

Reserves

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

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

Financial Statements

Consolidated Statement of Comprehensive Income and Expenditure

For the year ended 31 July 2019

		Consolidated	University	Consolidated	University
	Note	2019	2019	2018	2018
		£000	£000	£000	£000
Income					
Funding Council grants	1	68,270	68,270	65,938	65,938
Tuition fees and education contracts	2	39,813	38,203	36,778	36,010
Research grants and contracts	3	5,765	5,420	5,972	5,485
Other income	4	9,694	9,847	10,262	10,255
Investment income	5	245	196	177	137
Donations and endowments	6	539	531	694	691
Total income		124,326	122,467	119,821	118,516
Expenditure					
Staff costs	7	90,074	88,036	83,981	82,663
Severance costs	7	622	622	4,237	4,237
Other operating expenses		34,743	30,452	31,842	29,187
Depreciation	11	6,089	5,845	6,017	5,745
Interest and other finance costs	8	672	672	1,299	1,299
Total expenditure	9	132,200	125,627	127,376	123,131
(Deficit) before other gains and share of deficit in joint venture		(7,874)	(3,160)	(7,555)	(4,615)
Gain on endowment investments	20	16	16	11	11
Share of operating deficit in joint venture	13	(178)	-	(176)	-
(Deficit) before tax		(8,036)	(3,144)	(7,720)	(4,604)
Taxation	10	(79)	(79)	(46)	(46)
(Deficit) for the year		(8,115)	(3,223)	(7,766)	(4,650)
Unrealised gain/(loss) on investments		275	275	(3)	(3)
Actuarial (loss)/gain in respect of pension schemes	27	(12,824)	(12,824)	27,196	27,196
Currency translation differences on foreign currency net investment		(42)	-	(70)	-
Total comprehensive income		(20,706)	(15,772)	19,357	22,543
Represented by:					
Endowment comprehensive income for year		(29)	(29)	(112)	(112)
Restricted comprehensive income for year		(120)	(120)	(17)	(17)
Unrestricted comprehensive income for year		(18,835)	(13,943)	21,514	24,630
Revaluation reserve comprehensive income for the year		(1,680)	(1,680)	(1,958)	(1,958)
Foreign currency translation reserve comprehensive income for the year		(42)	-	(70)	-
		(20,706)	(15,772)	19,357	22,543

Consolidated Statement of Comprehensive Income and Expenditure (continued)

For the year ended 31 July 2019

	Consolidated	University	Consolidated	University
	2019	2019	2018	2018
	£000	£000	£000	£000
(Deficit) for the year attributable to:				
University	<u>(8,115)</u>	<u>(3,223)</u>	<u>(7,766)</u>	<u>(4,650)</u>
Total comprehensive (loss)/income for the year attributable to:				
University	<u>(20,706)</u>	<u>(15,772)</u>	<u>19,357</u>	<u>22,543</u>

All items of income and expenditure arise from continuing operations.

Consolidated and University Statement of Changes in Reserves

For the year ended 31 July 2019

Consolidated	Income and expenditure reserve			Foreign currency translation reserve £000	Revaluation reserve £000	Total £000
	Endowment £000	Restricted £000	Unrestricted £000			
Balance at 1 August 2017	671	691	64,173	174	78,525	144,234
Surplus/(deficit) from the income and expenditure account	24	331	(8,121)	-	-	(7,766)
Other comprehensive income	-	-	27,196	(70)	(3)	27,123
Transfer of amount equivalent to additional depreciation of fixed assets	-	-	1,955	-	(1,955)	-
Release of restricted funds spent in year	(136)	(348)	484	-	-	-
Total comprehensive income for the year	(112)	(17)	21,514	(70)	(1,958)	19,357
Balance at 1 August 2018	559	674	85,687	104	76,567	163,591
Surplus/(deficit) from the income and expenditure account	28	145	(8,288)	-	-	(8,115)
Other comprehensive income	-	-	(12,824)	(42)	275	(12,591)
Transfer of amount equivalent to additional depreciation of fixed assets	-	-	1,955	-	(1,955)	-
Release of restricted funds spent in year	(57)	(265)	322	-	-	-
Total comprehensive income for the year	(29)	(120)	(18,835)	(42)	(1,680)	(20,706)
Balance at 31 July 2019	530	554	66,852	62	74,887	142,885

Consolidated and University Statement of Changes in Reserves (continued)

For the year ended 31 July 2019

University	Income and expenditure reserve			Foreign currency translation reserve £000	Revaluation reserve £000	Total £000
	Endowment £000	Restricted £000	Unrestricted £000			
Balance at 1 August 2017	671	691	76,200	-	78,525	156,087
Surplus/(deficit) from the income and expenditure account	24	331	(5,005)	-	-	(4,650)
Other comprehensive income	-	-	27,196	-	(3)	27,193
Transfer of amount equivalent to additional depreciation of fixed assets	-	-	1,955	-	(1,955)	-
Release of restricted funds spent in year	(136)	(348)	484	-	-	-
Total comprehensive income for the year	(112)	(17)	24,630	-	(1,958)	22,543
Balance at 1 August 2018	559	674	100,830	-	76,567	178,630
Surplus/(deficit) from the income and expenditure account	28	145	(3,396)	-	-	(3,223)
Other comprehensive income	-	-	(12,824)	-	275	(12,549)
Transfer of amount equivalent to additional depreciation of fixed assets	-	-	1,955	-	(1,955)	-
Release of restricted funds spent in year	(57)	(265)	322	-	-	-
Total comprehensive income for the year	(29)	(120)	(13,943)	-	(1,680)	(15,772)
Balance at 31 July 2019	530	554	86,887	-	74,887	162,858

Consolidated and University Balance Sheet

As at 31 July 2019

		Consolidated 2019 £000	University 2019 £000	Consolidated 2018 £000	University 2018 £000
Non-current assets					
Fixed assets	11	187,356	185,963	190,834	189,307
Investments	12	3,829	4,539	3,662	4,372
		<u>191,185</u>	<u>190,502</u>	<u>194,496</u>	<u>193,679</u>
Current assets					
Stocks		204	204	204	204
Trade and other receivables	14	11,577	30,371	10,630	24,960
Investments	15	11,057	11,000	5,054	5,000
Cash and cash equivalents	22	9,617	8,739	14,348	13,573
		<u>32,455</u>	<u>50,314</u>	<u>30,236</u>	<u>43,737</u>
Less: Creditors: amounts falling due within one year	16	(28,700)	(25,752)	(30,763)	(28,256)
Net current assets/(liabilities)		<u>3,755</u>	<u>24,562</u>	<u>(527)</u>	<u>15,481</u>
Total assets less current liabilities		<u>194,940</u>	<u>215,064</u>	<u>193,969</u>	<u>209,160</u>
Creditors: amounts falling due after more than one year	17	(15,136)	(15,136)	(16,323)	(16,323)
Provisions					
Pension provisions	19	(34,652)	(34,652)	(13,147)	(13,147)
Other provisions	19	(2,267)	(2,418)	(908)	(1,060)
Total net assets		<u>142,885</u>	<u>162,858</u>	<u>163,591</u>	<u>178,630</u>
Restricted reserves					
Income and expenditure reserve - endowment reserve	20	530	530	559	559
Income and expenditure reserve - restricted reserve	21	554	554	674	674
Unrestricted reserves					
Income and expenditure reserve - unrestricted reserve		66,852	86,887	85,687	100,830
Foreign currency investment translation reserve		62	-	104	-
Revaluation reserve		74,887	74,887	76,567	76,567
Total reserves		<u>142,885</u>	<u>162,858</u>	<u>163,591</u>	<u>178,630</u>

The financial statements on pages 34 to 64 were approved by the University Court on 22 November 2019 and signed on its behalf by:

Mr Rob Woodward
Chair of University Court

Professor Pamela Gillies CBE, FRSE
Principal and Vice-Chancellor

Consolidated Statement of Cash Flows

For the year ended 31 July 2019

	Note	2019 £000	2018 £000
Cash flow from operating activities			
Deficit for the year		(8,115)	(7,766)
Adjustment for non-cash items			
Depreciation	11	6,089	6,017
Pension costs less contribution payable		6,849	3,355
Gain on investments		(16)	(11)
Decrease/(increase) in stock		-	13
(Increase) in debtors		(947)	(2,054)
(Decrease)/increase in creditors		(2,162)	5,488
Increase/(decrease) in pension provision		1,531	(646)
Increase in other provisions		1,180	136
Share of operating deficit in joint venture	13	178	176
Adjustment for investing or financing activities			
Deferred capital grants released to income	18	(493)	(548)
Investment income	5	(245)	(177)
Interest and other finance costs	8	672	1,299
Capital grant income		(1,236)	(1,302)
Net cash inflow from operating activities		<u>3,285</u>	<u>3,980</u>
Cash flows from investing activities			
(Increase)/ decrease in deposits		(6,003)	4,000
Investment income		147	169
Payments made to acquire fixed assets		(2,481)	(2,588)
New non-current asset investments		-	-
Capital grant income		1,365	1,229
Total cash flows from investing activities		<u>(6,972)</u>	<u>2,810</u>
Interest paid		(378)	(409)
Repayments of amounts borrowed		(663)	(632)
Loans advanced		-	(250)
Total cash flows from financing activities		<u>(1,041)</u>	<u>(1,291)</u>
(Decrease)/ Increase in cash and cash equivalents in the year		<u>(4,728)</u>	<u>5,499</u>
Cash and cash equivalents at beginning of the year		14,348	8,854
Effects of foreign currency translation on cash and cash equivalents		(3)	(5)
Cash and cash equivalents at end of the year		9,617	14,348

Notes to the Financial Statements

For the year ended 31 July 2019

1	Funding Council grants	Consolidated	University	Consolidated	University
		2019 £000	2019 £000	2018 £000	2018 £000
	Recurrent grants				
	General Fund - Teaching	62,018	62,018	60,168	60,168
	General Fund - Research and Knowledge Exchange	3,827	3,827	3,465	3,465
	Specific grants				
	Strategic Funding	696	696	486	486
	Release of deferred capital grants (note 18)	493	493	517	517
	Capital Maintenance grants	1,236	1,236	1,302	1,302
		<u>68,270</u>	<u>68,270</u>	<u>65,938</u>	<u>65,938</u>
	2 Tuition fees and education contracts	Consolidated	University	Consolidated	University
		2019 £000	2019 £000	2018 £000	2018 £000
	Scottish and EU fees	24,962	24,962	22,357	22,357
	Rest of UK fees	1,642	1,642	1,601	1,601
	Non-EU fees	9,407	8,443	8,875	8,570
	Research training support grants	97	97	156	156
	Non-credit bearing course fees	1,354	1,255	1,626	1,497
	Education contracts	2,351	1,804	2,163	1,829
		<u>39,813</u>	<u>38,203</u>	<u>36,778</u>	<u>36,010</u>
	3 Research grants and contracts	Consolidated	University	Consolidated	University
		2019 £000	2019 £000	2018 £000	2018 £000
	Research councils	253	253	390	390
	Research charities	477	465	375	375
	Government (UK and overseas)	4,617	4,465	4,562	4,372
	Industry and commerce	390	209	586	289
	Release of deferred capital grants (note 18)	-	-	31	31
	Other	28	28	28	28
		<u>5,765</u>	<u>5,420</u>	<u>5,972</u>	<u>5,485</u>

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

Notes to the Financial Statements (continued)

For the year ended 31 July 2019

4	Other income	Consolidated	University	Consolidated	University
		2019	2019	2018	2018
		£000	£000	£000	£000
	Residences, catering and conferences	5,306	5,306	5,267	5,267
	Other income	4,388	4,541	4,995	4,988
		<u>9,694</u>	<u>9,847</u>	<u>10,262</u>	<u>10,255</u>
5	Investment income	Consolidated	University	Consolidated	University
		2019	2019	2018	2018
		£000	£000	£000	£000
	Investment income on endowments	12	12	13	13
	Other investment income	233	184	164	124
		<u>245</u>	<u>196</u>	<u>177</u>	<u>137</u>
6	Donations and endowments	Consolidated	University	Consolidated	University
		2019	2019	2018	2018
		£000	£000	£000	£000
	Donations with restrictions	145	145	331	331
	Unrestricted donations	394	386	363	360
		<u>539</u>	<u>531</u>	<u>694</u>	<u>691</u>
7	Staff costs	Consolidated	University	Consolidated	University
		2019	2019	2018	2018
		£000	£000	£000	£000
	Salaries	64,131	62,346	63,525	62,372
	Social security costs	6,884	6,722	7,008	6,911
	Movement on USS provision	1,843	1,843	(169)	(169)
	Other pension costs	17,216	17,125	13,617	13,549
		<u>90,074</u>	<u>88,036</u>	<u>83,981</u>	<u>82,663</u>
Emoluments of the Principal and Vice-Chancellor				2019	2018
				£000	£000
Salary				230	230
Payments in lieu of pension contributions				33	36
Performance related payment				-	-
Benefits in kind				1	1
				<u>264</u>	<u>267</u>

The remuneration of the Principal in the academic year 2018/19 was 5.3 times the median remuneration of the workforce which was £43,267. In 2017/18 the median remuneration of the workforce was £42,418 and the Principal's remuneration was 5.4 times the median.

Notes to the Financial Statements (continued)

For the year ended 31 July 2019

7 Staff costs (continued)

Remuneration of other higher paid staff, excluding employers' pensions contributions where applicable	2019 Number	2018 Number
£100,000 - £109,999	7	5
£110,000 - £119,999	2	1
£120,000 - £129,999	1	1
£130,000 - £139,999	1	1
£140,000 - £149,999	1	2
£150,000 - £159,999	3	4
£160,000 - £169,999	1	-
£170,000 - £179,999	2	2
£180,000 - £189,999	1	-
£240,000 - £249,999	-	1
£250,000 - £259,999	1	-

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

Compensation for loss of office payable to senior post holders	2019 £000	2018 £000
Compensation payable	-	289

No compensation payable in 2018/19 (2017/18: 3).

Average staff numbers by major category	2019 Number	2018 Number
Academic	668	696
Administrative	564	554
Technical	52	57
Others	88	102
	<u>1,372</u>	<u>1,409</u>

Notes to the Financial Statements (continued)

For the year ended 31 July 2019

7 Staff costs (continued)

Severance costs

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

	2019 £000	2018 £000
Academic	380	2,360
Administrative	109	1,404
Technical and Others	115	438
Associated costs (non-payroll)	18	35
	<u>622</u>	<u>4,237</u>

Key management personnel

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

	2019 £000	2018 £000
Key management personnel compensation (excluding Principal and Vice-Chancellor as disclosed separately)	<u>1,246</u>	<u>1,184</u>

Court Members

No Court member has received any remuneration relating to their membership of Court from the University during the year (2018: none).

The total expense paid to or on behalf of Court members was £50k (2018: £6k). This represents training & development, travel and subsistence costs incurred in attending Court, Committee meetings and events in their official capacity.

Notes to the Financial Statements (continued)

For the year ended 31 July 2019

8	Interest and other finance costs	Consolidated	University	Consolidated	University
		2019	2019	2018	2018
		£000	£000	£000	£000
	Loan interest	371	371	402	402
	Net charge on pension scheme (note 27)	276	276	869	869
	Finance expense USS	25	25	28	28
		<u>672</u>	<u>672</u>	<u>1,299</u>	<u>1,299</u>

9	Analysis of total expenditure by activity	Consolidated	University	Consolidated	University
		2019	2019	2018	2018
		£000	£000	£000	£000
	Academic and related services	75,315	73,077	75,436	74,882
	Administration and central services	22,335	21,359	21,988	20,270
	Premises	14,538	12,671	15,685	14,116
	Residences, catering and conferences	3,416	3,416	3,629	3,629
	Research grants and contracts	5,976	5,700	6,015	5,699
	Other expenses	10,620	9,404	4,623	4,535
		<u>132,200</u>	<u>125,627</u>	<u>127,376</u>	<u>123,131</u>

Other operating expenses (including VAT) include:

	Consolidated	University	Consolidated	University
	2019	2019	2018	2018
	£000	£000	£000	£000
Auditor's remuneration				
External auditor's remuneration in respect of audit services	64	60	67	57
External auditor's remuneration in respect of subsidiaries (non-KPMG)	39	-	25	-
External auditor's remuneration in respect of non-audit services	83	82	98	78
Internal auditor's remuneration in respect of audit services	150	150	145	145

Notes to the Financial Statements (continued)

For the year ended 31 July 2019

10 Taxation

As an exempt charity the University is potentially exempt from taxation in respect of income or capital gains received within categories covered 478-488 of the Corporation Tax Act 2010 (CTA 2010) or section 256 of the Taxation of Chargeable Gains Act 1992, to the extent that such income or gains are applied to exclusively charitable purposes.

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

	2019 £000	2018 £000
Current tax expense	68	45
Adjustment in respect of previous years	11	1
Total tax charge	79	46

11 Fixed assets

Consolidated

	Land & buildings £000	Assets under construction £000	Plant & equipment £000	Fixtures, fittings & furniture £000	Total £000
Cost or valuation					
At 1 August 2018	205,586	1,221	19,035	6,057	231,899
Exchange movement	139	-	42	10	191
Additions	-	1,261	1,314	-	2,575
Disposals	-	-	(281)	-	(281)
Transfers	-	(74)	-	-	(74)
At 31 July 2019	205,725	2,408	20,110	6,067	234,310
Depreciation					
At 1 August 2018	21,842	-	14,380	4,843	41,065
Exchange movement	40	-	32	9	81
Charge for year	4,439	-	1,440	210	6,089
Disposals	-	-	(281)	-	(281)
Transfers	-	-	-	-	-
At 31 July 2019	26,321	-	15,571	5,062	46,954
Net Book Value					
At 31 July 2019	179,404	2,408	4,539	1,005	187,356
At 31 July 2018	183,744	1,221	4,655	1,214	190,834

Notes to the Financial Statements (continued)

For the year ended 31 July 2019

11 Fixed assets (continued)

University	Land & buildings £000	Assets under construction £000	Plant & equipment £000	Fixtures, fittings & furniture £000	Total £000
Cost or valuation					
At 1 August 2018	203,634	1,221	18,469	5,917	229,241
Additions	-	1,261	1,314	-	2,575
Disposals	-	-	(281)	-	(281)
Transfers	-	(74)	-	-	(74)
At 31 July 2019	203,634	2,408	19,502	5,917	231,461
Depreciation					
At 1 August 2018	21,285	-	13,929	4,720	39,934
Charge for year	4,299	-	1,356	190	5,845
Disposals	-	-	(281)	-	(281)
Transfers	-	-	-	-	-
At 31 July 2019	25,584	-	15,004	4,910	45,498
Net Book Value					
At 31 July 2019	178,050	2,408	4,498	1,007	185,963
At 31 July 2018	182,349	1,221	4,540	1,197	189,307

At 31 July 2019, land and buildings included £12.3m (2018: £9.7m) in respect of the net book value of freehold land and is not depreciated.

Buildings with a deemed cost of £1.7m (2018: £1.7m) and accumulated depreciation of £418k (2018: £348k) are held for use in an operating lease. The institution is acting as a lessor to British Transport Police.

Buildings with a net book value of £44.2m have been funded from Treasury sources: should these particular buildings be sold, the University would either have to surrender the proceeds to the Treasury or use them in accordance with the Financial Memorandum with the Scottish Funding Council.

Notes to the Financial Statements (continued)

For the year ended 31 July 2019

12 Non-current investments

Consolidated	Subsidiary companies £000	Investments in spinouts £000	Other fixed asset investments £000	Total £000
At 1 August 2018	-	123	3,539	3,662
Additions	-	-	71	71
Disposals	-	(123)	(70)	(193)
Increase in market value of investments	-	-	289	289
At 31 July 2019	-	-	3,829	3,829

University	Subsidiary companies £000	Investments in spinouts £000	Other fixed asset investments £000	Total £000
At 1 August 2018	710	123	3,539	4,372
Additions	-	-	71	71
Disposals	-	(123)	(70)	(193)
Increase in market value of investments	-	-	289	289
At 31 July 2019	710	-	3,829	4,539

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

Other fixed asset investments are stated at market value and include treasury index linked stocks earmarked to provide the enhanced element of the pensions to those employees who retired in 1995/96 under the Scottish Higher Education Funding Council "New Blood" scheme. The historical cost of these investments was £2.2m. Also included in other fixed asset investments are equity investments held for endowments (note 20).

The University's subsidiary companies are:

The University owns 100% of Glasgow Caledonian University Company Limited, which is regarded as a subsidiary undertaking. It was incorporated to develop and control the commercial exploitation of certain non-recurrent grant activities relating mainly to consultancy assignments and short courses. Costs incurred by the University in respect of work undertaken by the subsidiary undertaking are recharged to the company. The investment in this subsidiary undertaking represents 110,000 £1 ordinary shares in Glasgow Caledonian University Company Limited. At 31 July 2019 £236k Gift Aid is payable by the Company to the University (2018: £345k).

The University owns 100% of GCU INTO Limited established to operate the joint venture arrangements of INTO Scotland LLP. This investment represents 100 £1 ordinary shares and 499,900 £1 redeemable preference shares. The Company made a profit of £9k in the year to 31 July 2019 (2018: £4k).

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 2019 £185k Gift Aid is payable by GCU Academy to the University (2018: £66k).

For the year ended 31 July 2019

12 Non-current investments (continued)

The University controls 100% of Glasgow Caledonian New York College (GCNYC). This non-stock corporation was incorporated in June 2017 after the Board of Regents of NYSED granted a Provisional Charter allowing it to operate as a college in the State of New York. The organisation has the authority to offer programs that will lead to the Master of Science (M.S.) degree qualification. The University has entered into a loan agreement to lend a maximum aggregate of \$25.5m to GCNYC, at an interest rate for each advance being the lesser of 2.5% or the highest rate permitted by applicable law. At 31 July 2019 \$23.9m (£19.5m) (2018: \$19.8m (£15.1m)) 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. A further Standby Letter of Credit for \$410k was agreed in May 2019 in respect of the Title IV application with the Department of Education in New York.

13 Investment in Joint venture

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

On 28 May 2008 GCU INTO Limited entered into a loan agreement to lend up to £350k to INTO Scotland LLP, at an interest rate of 2% above the base lending rate of Royal Bank of Scotland plc. At 31 July 2019 £350k of the loan had been drawn down (2018: £350k). HMRC have confirmed that the investment is a qualifying investment for tax purposes, as it is always to be used to advance Education.

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

Notes to the Financial Statements (continued)

For the year ended 31 July 2019

13 Investment in Joint venture (continued)

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

	£000	2019 £000	£000	2018 £000
Income and expenditure account				
Income		1,439		1,384
Deficit before tax		(178)		(176)
Balance sheet				
Fixed assets	210		178	
Current assets	643		799	
		853		977
Creditors: amounts due within one year	(1,442)		(1,378)	
Creditors: amounts due after more than one year	(350)		(350)	
		(1,792)		(1,728)
		(939)		(751)

14	Trade and other receivables	Consolidated 2019 £000	University 2019 £000	Consolidated 2018 £000	University 2018 £000
	Amounts falling due within one year:				
	Other trade receivables	7,113	6,409	5,981	5,329
	Other receivables	397	40	405	46
	Provision for bad and doubtful debts	(1,774)	(1,774)	(1,530)	(1,530)
	Prepayments and accrued income	5,841	5,664	5,774	5,529
	Amounts due from subsidiary companies	-	421	-	445
	Public Benefit Concessionary Loan falling due after more than one year	-	19,611	-	15,141
		11,577	30,371	10,630	24,960

The University has entered into a loan agreement to lend a maximum aggregate of \$25.5m to GCNYC. At 31 July 2019 \$23.9m (£19.5m) (2018: \$19.8m (£15.1m)) of this loan had been drawn down and is payable after more than one year. Following an impairment review carried out in the year, Management consider this loan to be fully recoverable.

Notes to the Financial Statements (continued)

For the year ended 31 July 2019

15	Current investments	Consolidated	University	Consolidated	University
		2019	2019	2018	2018
		£000	£000	£000	£000
	Short term deposits	<u>11,057</u>	<u>11,000</u>	<u>5,054</u>	<u>5,000</u>

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

At 31 July 2019 the weighted average interest rate of these fixed rate deposits was 0.94% per annum and the remaining weighted average period for which the interest rate is fixed on these deposits was 61 days. The fair value of these deposits was not materially different from the book value.

16	Creditors: amounts falling due within one year	Consolidated	University	Consolidated	University
		2019	2019	2018	2018
		£000	£000	£000	£000
	Unsecured loans	693	693	663	663
	Trade payables	3,421	3,170	3,459	3,405
	Social security and other taxation payable	1,768	1,768	1,804	1,804
	Amounts owing to subsidiary companies	-	-	-	34
	Accruals and deferred income	<u>22,818</u>	<u>20,121</u>	<u>24,837</u>	<u>22,350</u>
		<u>28,700</u>	<u>25,752</u>	<u>30,763</u>	<u>28,256</u>

Included in accruals and deferred income are deferred capital grants to be released within one year of £493k (2018: £493k).

17	Creditors: amounts falling due after more than one year	Consolidated	University	Consolidated	University
		2019	2019	2018	2018
		£000	£000	£000	£000
	Unsecured loans	6,694	6,694	7,388	7,388
	Deferred income - deferred capital grants	<u>8,442</u>	<u>8,442</u>	<u>8,935</u>	<u>8,935</u>
		<u>15,136</u>	<u>15,136</u>	<u>16,323</u>	<u>16,323</u>

Notes to the Financial Statements (continued)

For the year ended 31 July 2019

17	Creditors: amounts falling due after more than one year (continued)	Consolidated	University	Consolidated	University
		2019 £000	2019 £000	2018 £000	2018 £000
	Analysis of unsecured loans:				
	Due within one year (Note 16)	693	693	663	663
	Due between one to two years	731	731	693	693
	Due between two and five years	2,413	2,413	2,302	2,302
	Due in five years or more	3,550	3,550	4,393	4,393
	Due after more than one year	6,694	6,694	7,388	7,388
	Total unsecured loans	7,387	7,387	8,051	8,051

An unsecured bank loan of £10m (2018: £10m) from the Lloyds Banking Group backed by the European Investment Bank is repayable in instalments between 16 February 2015 and 15 February 2028 and interest is charged at a fixed rate of 4.84%.

18	Deferred capital grants	Consolidated & University		
		Buildings £000	Equipment £000	Total £000
	At 1 August 2018			
	Funding Council	7,075	2,353	9,428
	Other	-	-	-
		7,075	2,353	9,428
	Cash receivable			
	Funding Council	-	-	-
	Other	-	-	-
		-	-	-
	Released to income and expenditure account			
	Funding Council	(305)	(188)	(493)
	Other	-	-	-
		(305)	(188)	(493)
	At 31 July 2019			
	Funding Council	6,770	2,165	8,935
	Other	-	-	-
		6,770	2,165	8,935

Notes to the Financial Statements (continued)

For the year ended 31 July 2019

19 Provisions for liabilities

Consolidated	USS pension	Defined benefit obligation (note 27)	Early retirement pension	Total pension provisions	Total other
	£000	£000	£000	£000	£000
At 1 August 2018	920	6,405	5,822	13,147	909
Charged/(utilised) in year	1,843	19,949	(491)	21,301	(38)
Additions in year	25	-	-	25	1,396
Unused amounts reversed in year	-	-	179	179	-
At 31 July 2019	2,788	26,354	5,510	34,652	2,267

University	USS pension	Defined benefit obligation (note 27)	Early retirement pension	Total pension provisions	Total other
	£000	£000	£000	£000	£000
At 1 August 2018	920	6,405	5,822	13,147	1,060
Charged/(utilised) in year	1,843	19,949	(491)	21,301	(38)
Additions in year	25	-	-	25	1,396
Unused amounts reversed in year	-	-	179	179	-
At 31 July 2019	2,788	26,354	5,510	34,652	2,418

USS pension

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

Since the year end, following the completion of the 2018 actuarial valuation, a new deficit recovery plan has been agreed of which more detail is given in note 27. As at 31 July 2019 with all other assumptions used to calculate the provision unchanged, this would have resulted in a revised provision of £1.6m, a decrease of £1.2m from the current year end provision.

Early retirement pension

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

Discount rate	2.0%
Inflation	2.3%

Other

The 'Other' provision represents obligations in respect of the CRC Energy Efficiency Scheme, the University's investment in the joint venture, leasehold dilapidations representing the cost of restoring the leasehold building to its original condition and an amount relating to a contractual claim with a supplier. The University has not disclosed any further details, as it could be prejudicial to the claim.

Notes to the Financial Statements (continued)

For the year ended 31 July 2019

20	Endowment Reserves	Restricted permanent endowments £000	Unrestricted permanent endowments £000	Expendable endowments £000	2019 £000	2018 £000
	At 1 August					
	Capital	270	8	189	467	546
	Accumulated income	27	-	65	92	125
		<u>297</u>	<u>8</u>	<u>254</u>	<u>559</u>	<u>671</u>
	Investment income	8	-	4	12	13
	Expenditure	-	-	(57)	(57)	(136)
	Increase in market value of investments	10	-	6	16	11
		<u>18</u>	<u>-</u>	<u>(47)</u>	<u>(29)</u>	<u>(112)</u>
	Total endowment comprehensive income for the year	18	-	(47)	(29)	(112)
	At 31 July	<u>315</u>	<u>-</u>	<u>207</u>	<u>530</u>	<u>559</u>
	Represented by:					
	Capital	307	8	170	485	467
	Accumulated income	8	-	37	45	92
		<u>315</u>	<u>8</u>	<u>207</u>	<u>530</u>	<u>559</u>
	Analysis by purpose:					
	Scholarships and bursaries				243	290
	Prize funds				279	261
	Other				8	8
					<u>530</u>	<u>559</u>
	Analysis by asset:					
	Non-current asset investment				437	422
	Cash and cash equivalents				93	137
					<u>530</u>	<u>559</u>

Notes to the Financial Statements (continued)

For the year ended 31 July 2019

21 Restricted reserves	Donations 2019 £000	Donations 2018 £000
At 1 August	674	691
New donations	145	331
Expenditure	(265)	(348)
Total restricted comprehensive income for the year	(120)	(17)
At 31 July	554	674
Analysis by purpose:		
Scholarships and bursaries	515	637
Prize funds	5	-
Other	34	37
	554	674

22 Cash and cash equivalents

Consolidated	At 1 August 2018 £000	Cash flows £000	At 31 July 2019 £000
Cash and cash equivalents	14,348	(4,731)	9,617

23 Capital and other commitments

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

	Consolidated 2019 £000	University 2019 £000	Consolidated 2018 £000	University 2018 £000
Commitments contracted for	3,486	3,486	5,805	5,805
Authorised but not contracted for	724	724	290	290
	4,210	4,210	6,095	6,095

Notes to the Financial Statements (continued)

For the year ended 31 July 2019

24 Lease obligations

Total rentals payable under operating leases:

	Land and buildings £000	Plant and machinery £000	Other leases £000	2019 £000	2018 £000
Payable during the year	2,411	183	23	2,617	2,412
Future minimum lease payments due:					
Not later than one year	2,019	166	17	2,202	2,305
Later than one year and not later than five years	5,701	88	4	5,793	6,015
Later than five years	8,051	-	-	8,051	7,539
	15,771	254	21	16,046	15,859

25 Events after the reporting period

As set out in Note 27 in respect of the USS pension scheme, a new Schedule of Contributions based on the 2018 actuarial valuation has been agreed. This result in a decrease of £1.2m in the provision for the Obligation to fund the deficit on the USS pension which would instead be £1.6m. This adjustment will be reflected in the University's Financial Statement for the year ended 31 July 2020.

26 Subsidiary undertakings

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

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

*GCU-NYC, Inc. was dissolved during 2018/19 with recognition from the State of Delaware on the 12 July 2019.

Notes to the Financial Statements (continued)

For the year ended 31 July 2019

27 Pension schemes

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

GCNYC participates in a 401k defined contribution retirement plan.

The University contribution rates on eligible salary costs are:

	1/8/2018 to 31/7/2019
STSS	17.2%
SPF	19.3%
USS to 31 March 2019	18.0%
USS from 1 April 2019	19.5%

	2019 £000	2018 £000
The total pension costs for the year were:		
Normal contribution to:		
STSS – contributions paid	4,755	4,954
SPF – charge to income and expenditure account	11,605	8,039
USS – contributions paid	652	607
401K plan - Contributions paid	29	17
	17,041	13,617

With the exception of the Strathclyde Pension Fund, the University has utilised the provisions of FRS 102 whereby the contributions to the schemes be accounted for as if they were defined contribution schemes. As such, the costs recognised within the University's income and expenditure account will be equal to the contributions payable to the schemes in the year.

As at 31 July 2019 an allowance has been made for the potential impact of both the McCloud and GMP judgements. The impact of which is accounted for in past service costs.

Notes to the Financial Statements (continued)

For the year ended 31 July 2019

27 Pension schemes (continued)

The Strathclyde Pension Fund

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

A valuation of the University's benefit obligations in respect of its members has been estimated by a qualified independent actuary based on the 31 March 2019 valuation results, rolled forward onto the FRS 102 assumptions at 31 July 2019.

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

Financial assumptions

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

	2019	2018
Pension increase (RPI)	3.4%	3.4%
Pension increase (CPI)	2.3%	2.3%
Rate of increase in salaries	3.6%*	3.5%**
Rate of increase of pensions	2.4%	2.3%
Discount rate	2.3%	2.9%

* Composite salary increase assumption of 3.6% as at 31 July 2019 (3.0% p.a. until 31 July 2020 and reverting to a long term assumption of 3.9% p.a. thereafter), taking account of the average term to retirement.

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

Mortality assumptions

The life expectancies used to determine benefit obligations are:

	Male	Female
Current pensioners	20.7 years	22.9 years
Future pensioners	22.2 years	24.6 years

Notes to the Financial Statements (continued)

For the year ended 31 July 2019

27 Pension schemes (continued)

The Strathclyde Pension Fund (continued)

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

The assets in the scheme were:

	2019 £000	2018 £000	2017 £000	2016 £000	2015 £000
Equities	132,339	119,202	120,719	107,352	94,502
Bonds	48,864	40,976	23,804	23,529	15,120
Property	20,360	20,488	18,703	16,176	15,120
Cash	2,035	5,587	6,801	-	1,260
	<u>203,598</u>	<u>186,253</u>	<u>170,027</u>	<u>147,057</u>	<u>26,002</u>
	2019	2018	2017	2016	2015
Weighted average expected long term rate of return	2.3%	2.9%	2.8%	2.6%	3.6%

	2019 £000	2018 £000
Analysis of the amount shown in the balance sheet for SPF		
Scheme assets	203,598	186,253
Scheme funded liabilities	(229,593)	(192,307)
Scheme unfunded liabilities	(359)	(351)
Deficit in the scheme - net pension liability	<u>(26,354)</u>	<u>(6,405)</u>
Current service costs	(8,413)	(8,009)
Past service costs (including curtailments)	(3,192)	(30)
Total operating charge	<u>(11,605)</u>	<u>(8,039)</u>
Analysis of the amount charged to interest payable for SPF:		
Interest cost	(5,717)	(5,666)
Expected return on assets	5,441	4,797
Total net interest	<u>(276)</u>	<u>(869)</u>
Analysis of other comprehensive income for SPF:		
Change in demographic assumptions	9,213	159
Change in financial assumptions	(30,901)	8,713
Other experience	(42)	9,746
Return on assets	8,906	8,578
Total other comprehensive income before deduction for tax	<u>(12,824)</u>	<u>27,196</u>

Notes to the Financial Statements (continued)

For the year ended 31 July 2019

27 Pension schemes (continued)

The Strathclyde Pension Fund (continued)

	2019 £000	2018 £000
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Cumulative actuarial loss recognised as other comprehensive income:

Cumulative actuarial gains/ (losses) recognised at the start of the year	4,558	(22,638)
Cumulative actuarial (losses)/ gains recognised at the end of the year	(17,382)	4,558

	2019 £000	2018 £000
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Analysis of movement in deficit:

Deficit at beginning of year	(6,405)	(29,377)
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Contributions or benefits paid by the University	4,720	4,652
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Contributions in respect of unfunded benefits	36	32
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Current service cost	(8,413)	(8,009)
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Past service costs (including curtailments)	(3,192)	(30)
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Other finance charge	(276)	(869)
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(Loss)/gain recognised in other comprehensive income	(12,824)	27,196
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Deficit at end of year	(26,354)	(6,405)
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	2019 £000	2018 £000
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Analysis of movement in the present value of SPF liabilities:

At 1 August	192,658	199,404
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Current service cost (net of member contributions)	8,413	8,009
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Past service costs (including curtailments)	3,192	30
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Interest cost	5,717	5,666
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Actual member contributions	1,645	1,581
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Actuarial losses/(gains)	21,730	(18,618)
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Unfunded benefits paid	(36)	(32)
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Actual benefits paid	(3,367)	(3,382)
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At 31 July	229,952	192,658
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Notes to the Financial Statements (continued)

For the year ended 31 July 2019

27 Pension schemes (continued)

The Strathclyde Pension Fund (continued)	2019	2018
	£000	£000
Analysis of movement in the fair value of scheme assets:		
At 1 August	186,253	170,027
Expected return on assets	5,441	4,797
Actuarial gain on assets	8,906	8,578
Actual contributions paid by the University	4,720	4,652
Actual contributions in respect of unfunded benefits	36	32
Actual member contributions	1,645	1,581
Unfunded benefits paid	(36)	(32)
Actual benefits paid	(3,367)	(3,382)
At 31 July	203,598	186,253

The University expects to contribute £4,720k to the Strathclyde Pension Fund in 2019/20. There were no outstanding contributions at the balance sheet date (2018: nil).

The Scottish Teachers Superannuation Scheme

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

The total cost charged to the comprehensive income and expenditure account is £4,755k (2018: £4,954k). There were no outstanding contributions at the balance sheet date (2018: £637k).

Universities Superannuation Scheme

The total cost charged to the comprehensive income and expenditure account is £652k (2018: £607k). There were no outstanding contributions at the balance sheet date (2018: nil).

The latest available complete actuarial valuation of the Retirement Income Builder Section of the Scheme is at 31 March 2017 (the valuation date), which was carried out using the projected unit method.

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

The 2017 valuation was the fourth valuation for the scheme under the scheme-specific funding regime introduced by the Pensions Act 2004, which requires schemes to adopt a statutory funding objective, which is to have sufficient and appropriate assets to cover their technical provisions. At the valuation date, the value of the assets of the scheme was £60.0 billion and the value of the Scheme's technical provisions was £67.5 billion indicating a shortfall of £7.5 billion and a funding ratio of 89%.

The University's provision for 2018/19 is £2.8m compared to £0.9m in 2017/18 an increase of £1.9m.

The key financial assumptions used in the 2017 valuation are described below. More detail is set out in the statement of funding principles.

Since the year end, following the completion of the 2018 actuarial valuation, a new deficit recovery plan has been agreed. This amends the existing deficit recovery plan as set out in the 2017 valuation Schedule of Contributions. This new plan requires deficit payments of 2% of salaries from 1 October 2019 to 30 September 2021 and then a payment of 6% of salaries from 1 October 2021 to 31 March 2028. As at 31 July 2019 and assuming all other assumptions used to calculate the provision remain unchanged, this would have resulted in a revised provision of £1.6m, a decrease of £1.2m from the current year end provision and lower face of the statements comprehensive income of (£19m). The 2018 actuarial valuation was finalised after the year end which indicated a shortfall of £3.6 billion and a funding ratio of 95%.

Notes to the Financial Statements (continued)

For the year ended 31 July 2019

27 Pension schemes (continued)

Universities Superannuation Scheme (continued)

	2019
Pension increases (CPI)	Term dependent rates in line with the difference between the Fixed Interest and Index Linked yield curves, less 1.3% p.a.
Discount rate (forward rates)	Years 1-10: CPI - 0.53% reducing linearly to CPI - 1.32% Years 11-20: CPI + 2.56% reducing linearly to COI + 1.7% by year 21 Years 21 +: CPI + 1.7%

The main demographic assumption used relates to the mortality assumptions. These assumptions are based on analysis of the schemes experience carried out as part of the 2017 actuarial valuation. The mortality assumptions used in these figures are as follows:

	2019	2018
Mortality base table	Pre-retirement:	
	71% of AMCO0 (duration 0) for males and 112% of AFC00 (duration 0) for females	71% of AMCO0 (duration 0) for males and 112% of AFC00 (duration 0) for females
	Post retirement:	
	96.5% of SAPS S1NMA "light" for males and 101.3% of RFV00 for females	96.5% of SAPS S1NMA "light" for males and 101.3% of RFV00 for females
Future improvements to mortality	CMI_2016 with a smoothing parameter of 8.5 and a long term improvement rate of 1.8% pa for males and 1.6% pa for females	CMI_2016 with a smoothing parameter of 8.5 and a long term improvement rate of 1.8% pa for males and 1.6% pa for females

The current life expectancies on retirement at age 65 are:

	2019	2018
Males currently aged 65 (years)	24.6	24.5
Females currently aged 65 (years)	26.1	26.0
Males currently aged 45 (years)	26.6	26.5
Females currently aged 45 (years)	27.9	27.8

A deficit recovery plan was put in place as part of the 2017 valuation, which requires payment of 5% of salaries over the period 1 April 2020 to 30 June 2034. The 2019 pension liability provision reflects this plan. The provision figures have been produced using the following assumptions as at 31 March 2018 and 2019.

	2019	2018
Discount rate	1.7%	2.64%
Pensionable salary growth	n/a	n/a
Pension increases (CPI)	2.11%	2.02%

Notes to the Financial Statements (continued)

For the year ended 31 July 2019

28 Disclosure of related party transactions

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

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

29 Access funds

	Childcare fund £000	Hardship fund £000	Nursing fund £000	Total £000
At 1 August 2018	122	4	35	161
Allocation received in year	573	938	111	1,622
Funds paid in 18/19 refunded in year	3	1	-	4
Expenditure	(337)	(1,186)	(112)	(1,635)
Repaid by clawback	(115)	-	(34)	(149)
Institution contribution to funds (bank interest)	2	3	-	5
Virements	(240)	240	-	-
At 31 July 2019	8	-	-	8
Repayable as clawback	8	-	-	8
Retained for students	-	-	-	-

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

For the year ended 31 July 2019

30 Financial instruments

Risk management

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

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

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

Credit risk

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

At 31 July 2019, the maximum exposure is represented by the carrying value of each financial asset in the balance sheet. The credit risk of liquid funds and financial instruments is limited because the counterparties are banks with investment grade ratings assigned by international credit-rating agencies. The University's exposure and the credit ratings of its counterparties are monitored regularly. The credit exposure is limited by counter party limits and minimum counter party credit ratings set within the Treasury Management Policy. Student and commercial debtors are reviewed on an on-going basis and a bad debt provision is made if recovery becomes uncertain. If a debtor is deemed irrecoverable it is written off. The concentration of risk is limited due to a large number of diverse customers across both student and commercial customer populations.

Liquidity risk

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

At 31 July 2019, the group is holding cash deposits, none of which have a maturity period greater than 12 months.

Notes to the Financial Statements (continued)

For the year ended 31 July 2019

30 Financial instruments (continued)

Foreign currency risk

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

At 31 July 2019 the group is exposed to currency risks from its activities conducted overseas but does not enter into any hedge arrangements. The principal foreign currency exposures are to the US dollar and euro.

Interest rate risk

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

At 31 July 2019 balance sheet values of deposits and cash at bank and in hand are not materially exposed to changes in interest rates. The interest rate attached to the loan facility is fixed over the term.

Financial instruments – fair values

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

	Consolidated 2019 £000	University 2019 £000	Consolidated 2018 £000	University 2018 £000
Trade debtors and other receivables	11,577	30,371	10,630	24,960
Cash and cash equivalents	9,617	8,739	14,348	13,573
Current investments	11,057	11,000	5,054	5,000
Trade creditors and other payables	(43,836)	(40,888)	(47,086)	(44,579)
	<u>(11,585)</u>	<u>9,222</u>	<u>(17,054)</u>	<u>(1,046)</u>

Notes



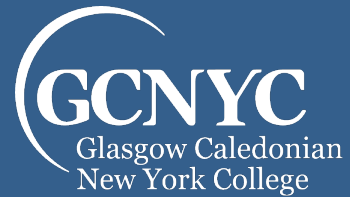
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