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Annual Financial Statements

Year ended 31 July 2013





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Principal and Vice-Chancellor

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University's Professional Advisors

Bankers

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

External Auditor

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

Internal Auditor

PricewaterhouseCoopers LLP
Chartered Accountants
141 Bothwell Street
Glasgow
G2 7EQ

Solicitors

Brodies LLP
15 Atholl Crescent
Edinburgh
EH3 8HA

Introduction from Professor Pamela Gillies, Principal and Vice-Chancellor

This has been another extremely successful year for our University, in which we have taken significant steps forward to deliver our commitment to the common good, despite the challenges to Higher Education that remain given the broader economic environment. Our delivery of financial sustainability has allowed us to invest for growth, and as ever, the surplus we generate was reinvested in the development of our infrastructure; enhancing the experience of our students, improving access and articulation, and turning our best research ideas into practical benefits for the communities we serve.

Our students in the coming year will continue to benefit from our ongoing programme of investment to our facilities, including a new bistro in our Students' Association, and an expanded range of clinical simulation suites in our School of Health and Life Sciences. Our sound programme of financial management has also allowed the ongoing implementation of our £25m Heart of the Campus project, which received planning permission from Glasgow City Council in the summer of 2013. Last academic year we also saw the completion of our Combined Heat and Power Plant, which reduces our carbon footprint. These efforts to improve our overall sustainability were reflected in GCU receiving the EcoCampus Gold Award, the first Scottish University to do so.

We continued to closely collaborate with Industry in research and development. Amongst a range of partnerships, one in particular with the multinational electrical engineering company Doble, resulted in a £1.2m Innovation Centre to develop new ways to improve the reliability of power stations. We also appointed Professor Lesley Sawers as our new Vice Principal for Business Development, Enterprise and Innovation, who will have a transformational impact on how we identify and develop new opportunities to support business. As a University, we understand the importance of diversifying our income, and investing in staff with the relevant skills to enable the University to flourish.

In the past year, we announced plans to become the first UK University to open a base in New York. This gives GCU a foothold in one of the most buoyant higher education markets in the world, in a city of considerable intellectual and cultural power and influence. We also developed a number of strategic relationships in the United States with Stony Brook, NYU, Parsons and Pace University in New York and UMass Boston, which alongside MOUs signed in China and Malaysia, have strengthened our international partnerships and global network. In addition, GCU London continued to thrive, with further significant increases in applications and student numbers. Looking to the future, we are carefully considering the way in which our sustainable financial platform can underpin investment in growth.

As the above ongoing developments and our Annual Statement highlight, we are on a sound financial footing as an institution and are in a position to invest and grow to ensure the long term sustainability and success of the University, our staff and students.



Professor Pamela Gillies CBE
BSc PGCE MEd MMedSci PhD FRSA FFPH AcSS Hon FRCPs (Glasg)

Principal and Vice-Chancellor



Management and Governance

Management

In 2012/13, the University was led by the Principal and Vice-Chancellor and the Executive team. The team comprised three Vice Principals and Pro Vice-Chancellors, three Executive Deans and Pro Vice-Chancellors, the Chief Financial Officer and Vice-Principal (Finance) and the University Secretary and Vice-Principal (Governance).

Study and Research are grouped into three Schools and are supported by a number of Learning, Teaching and Infrastructure Services. The three Schools are:

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

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

Governance

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

The appointed governor membership consists of a minimum of nine and a maximum of eighteen members and is drawn from people who have experience of, and have shown capacity in, industrial, commercial or employment matters or in the practice of any profession. The appointed governor membership must maintain an overall majority on the University Court. The Principal and Vice-Chancellor and the President of the Students' Association are Governors ex officio. Three staff governors are elected; one by Senate from among the members of Senate, one by the academic staff from among the members of such staff, and one by the non-academic staff from among the members of such staff. The University Court currently comprises 16 appointed governors; two governors ex officio and three staff governors.

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

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

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



Risk and Future Developments

Risk

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

The key risks identified are:

- Ability to manage the consequences on Higher Education funding of the challenging national economic and political environment whilst protecting quality provision;
- Uncertainties arising from the Scottish Government's workforce planning and the identification of an over provision of qualified nurses within the Scottish sector until 2017 in particular;
- Changes in the international student market arising from UK government policies and higher levels of regulatory controls; and finally
- Potential for disruption to industrial relations following national pay and pension negotiations.

The University's Risk Management Strategy has been updated and approved by the University Court in December 2012.

A summary of the main changes to the Strategy are outlined below:

- Statements of Risk Appetite and a guide to usage and interpretation have been added;
- Risk Tolerance Statements for operational performance and financial impact have been added;
- The detailed Risk Registers prepared by all Schools and Learning, Teaching and Infrastructure Services are reviewed quarterly as a minimum, and updated as appropriate. All risks identified as greater than a medium risk are reviewed as part of the update of the corporate risk register;
- Risk management is a standing agenda item on senior management meeting agendas, so that Risk in its widest sense is considered on an ongoing basis;
- A Risk Management Forum has been established which meets quarterly and thereafter reports to Executive Board;
- A section on accountabilities, roles and responsibilities for Risk within the University has been included.

Strategy 2015

The document lists the strategic goals as follows:

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

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

Future Developments

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

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

All developments are necessary for delivering the Strategy 2015.

Occupational Health Unit
Eye Clinic
Charles Oakley Building
George Moore Building
Carnegie Lecture Theatre
Teaching Block
Library
Llan Court





Disability Policy, Equality and Diversity

Disability Policy

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

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

Equality and Diversity

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

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

Financial Summary

Financial Highlights

	2013 £000	2012 £000
Income	111,688	106,219
Expenditure before restructuring costs	(108,454)	(103,158)
Surplus before restructuring costs	3,234	3,061
Restructuring costs	(1,476)	(739)
Other items	140	(286)
Surplus for the year retained within general reserves	1,898	2,036
Cast at bank, deposits and endowments	30,980	31,167
Net assets	177,598	147,289

Surplus

The operating results continued the positive trend of delivering a surplus in 2012/13. With recurrent grant funding from the SFC returning to levels before the reduction in 2011/12 and, through effective cost control, operating surplus increased by over 5%.



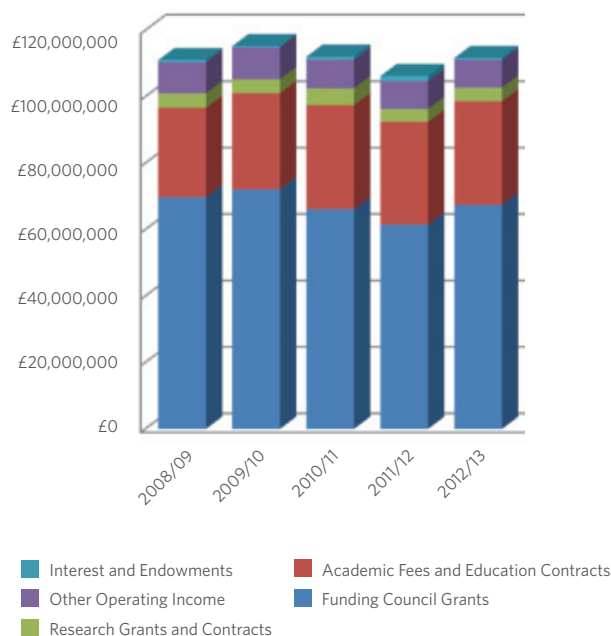
■ Surplus (including restructuring costs)
■ Surplus (excluding restructuring costs)

Income

The University's income increased by 5% from £106m to £112m primarily due to the increase in the recurrent grant for teaching received from the SFC. Growth has also been seen across the other main income categories, except for Endowment and investment income due to a diminution in the net return on pension assets, based on FRS 17 actuarial assumptions.

The strong performance of the Business Academies has seen a growth in Tuition Fees and Education Contracts in the year. With 2012/13 being the first year of the new regime for students from the Rest of the UK (RUK), the Scotland and EU fees reflect the SFC funded place reduction to represent our new RUK intake.

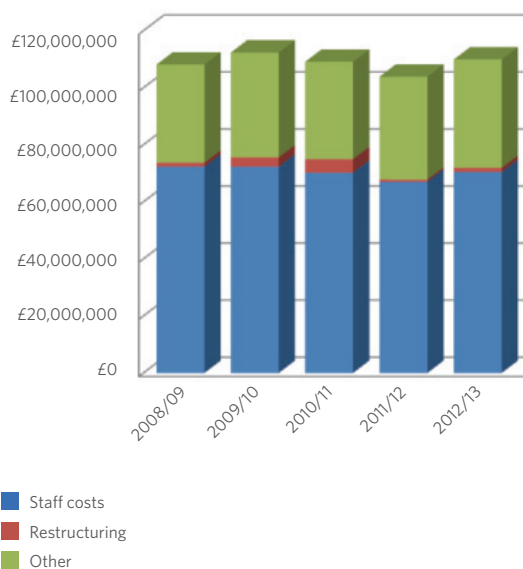
Despite an increasingly competitive research environment, continued investment in this area has helped to deliver an increase in research awards over 2011/12. With efforts continuing to be committed to research developments, and success in securing a number of grants, further increase in research income is expected in 2013/14.



Expenditure

Total expenditure increased by 5% in the year from £103m to £108m. Staff costs, excluding voluntary severance costs, increased by 5% in line with the movement in staff headcount.

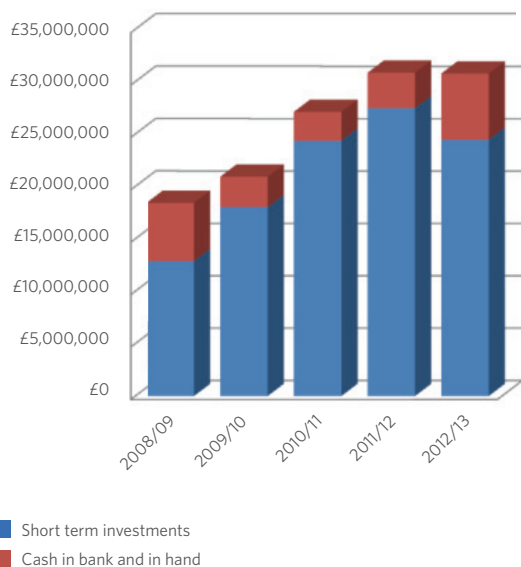
Other operating expenses have also increased 5% reflecting primarily the strategic investment in Smart Campus initiatives and International developments necessary to support long term sustainability and the University's strategic goals.



Cash at bank and deposits

Cash at bank decreased in the year by £0.2m to a closing balance of £31m at 31 July 2013. £6m of cash was generated from operations. Further details on cash flow movements are in Notes 19 to 23 of the financial statements.

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



As outlined in Capital Investments, the University embarked on two capital projects in 2011/12; a Combined Heat and Power plant and the development of the Heart of Campus. Works were ongoing in 2012/13. Capital investment associated with the Heart of Campus project, together with the strategic investment in International developments, will continue to reduce cash at bank and deposits in 2013/14 with further reductions in future years.

Treasury Management

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

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

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

The University has a loan agreement for £10m with Lloyds Banking Group plc backed by the European Investment Bank to assist in the financing of the Heart of Campus project with the balance being funded through internal funds. During the year to 31 July 2013 there has been no drawdown on this facility, with the projected drawdown being in 2014/15.

Capital Investments

Aligned to the University's Masterplan, the construction of a Combined Heat and Power plant with a total cost of £4.9m was completed in 2012/13. The plant will be operational in autumn 2013.

In November 2011, the University Court approved the investment plan to create a Heart of Campus within the city centre campus. This was further expanded in 2012/13 with the approval of the first phase of the development of the Hamish Wood building. The total cost of these projects is £30m. The project will create an attractive, modern hub which will lead to improved academic teaching areas, student services and facilities allowing the University to maintain its reputation for delivering high quality in these areas. Initial works commenced in 2011/12 and continued in 2012/13 with a spend of £1.3m in the year.

The complete refurbishment of the Hamish Wood building is being reviewed in the context of the University Masterplan to ensure the Glasgow School for Business and Society offers modern attractive and effective teaching, learning and research space for their students that matches the Strategy for Learning.

The University Court has approved the development of a New York centre, as part of the University's broader internationalisation strategy. The GCU New York centre will deliver executive training and short courses and will further our research collaborations with universities in New York. Subject to licensing it will deliver Masters courses building on the successful model of the London campus.

Payment of Creditors

It is the University's policy to obtain the best terms of business from creditors, and thus, there is no single policy as to the terms used. In agreements negotiated with suppliers, the University endeavours to include and abide by specific payment terms. As at 31 July 2013 the University's outstanding payments represented approximately 47 days purchases. The amount of interest paid in the year under the Late Payment of Commercial Debts (Interest) Act 1998 was nil.

Responsibilities of the University Court

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

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

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

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

The Court has a responsibility to:

- Ensure that funds from the Scottish Funding Council are used only for the purposes for which they have been given and in accordance with the Further and Higher Education (Scotland) Act 1992, the University's Financial Memorandum with the Funding Council and any other conditions which the Funding Council may from time to time prescribe;
- Ensure that there are appropriate financial and management controls in place to

safeguard public funds and funds from other sources;

- Ensure reasonable steps have been taken to secure the economical, efficient and effective management of the University's resources and expenditure; and
- Ensure sound corporate governance and the proper conduct of the University's operations.

University Court Members

Mr Antony Brian *Chair*
Professor Pamela Gillies
Principal and Vice-Chancellor
Mrs Rhona Baillie (from 01.08.13)
Mrs Hazel Brooke *Vice-Chair*
Dr Douglas Chalmers (from 01.08.13)
Mr John Chapman
Mrs Mary Craig (to 25.04.13)
Mrs Tracy Findlay (to 31.07.13)
Ms Carla Fyfe (to 14.06.13)
President of the Students' Association
Ms Laura Gordon
Mr Ian Gracie
Mr Tom Halpin
Mr J Gordon Jack
Mr Austin Lafferty (from 01.08.13)
Mr Matthew Lamb (from 17.06.13)
President of the Students' Association
Dr Rajan Madhok
Dr James A Miller
Mr Hugh O'Neill
Miss Davena Rankin (from 01.08.13)
Mr Graham Scott (to 31.07.13)
Mr Iain Stewart
Mr David Wallace
Mr Alistair Webster
Dr Bob Winter (from 01.08.13)
Professor Stephanie Young

Members of Finance and General Purposes Committee

Mrs Rhona Baillie (from 01.08.13)
Mr David Beeby (to 24.01.13)
Mr John Chapman
Mrs Mary Craig (to 25.04.13)
Ms Carla Fyfe (to 14.06.13)
Professor Pamela Gillies
Mr Ian Gracie
Mr J Gordon Jack
Mr Matthew Lamb (from 17.06.13)

Mr Gerry Milne (from 01.06.13)
Mr Graham Moorhouse (from 25.01.13 to 31.05.13)
Mr Hugh O'Neill
Mr David Wallace *Chair*

Members of Audit Committee

Ms Laura Gordon
Mr Tom Halpin
Mr Austin Lafferty (from 01.08.13)
Dr James A Miller *Chair*
Mr Iain Stewart
Mr Alistair Webster

Members of Remuneration Committee

Mr Antony Brian
Mrs Hazel Brooke
Professor Pamela Gillies
Mr Tom Halpin (from 01.08.13)
Dr Rajan Madhok *Chair*
Professor Stephanie Young

Members of Court Membership Committee

Mr Antony Brian *Chair*
Mrs Hazel Brooke
Professor Pamela Gillies
Dr Rajan Madhok
Dr James A Miller
Mr Iain Stewart

Members of Health and Safety Committee

Dr Douglas Chalmers (from 01.08.13)
Mr John Chapman
Mrs Tracy Findlay (to 31.07.13)
Ms Carla Fyfe (to 14.06.13)
Mr Ian Gracie (from 01.08.13)
Mr Alex Killick
Mr Matthew Lamb (from 17.06.13)
Mr Hugh O'Neill *Chair*
Miss Davena Rankin (from 01.08.13)

Members of Staff Policy Committee

Mrs Hazel Brooke *Chair*
Dr Douglas Chalmers (from 01.08.13)
Mrs Tracy Findlay (to 31.07.13)
Professor Pamela Gillies
Mr Alex Killick
Dr James A Miller
Miss Davena Rankin (from 01.08.13)
Mr Graham Scott (to 31.07.13)
Dr Bob Winter (from 01.08.13)
Professor Stephanie Young

Attendance from 1 August 2012 to 31 July 2013

Member	Date from/to	University Court 6 in year	Finance and General Purposes 6 in year	Audit 5 in year	Remuneration 2 in year	Court Membership 2 in year	Health and Safety 2 in year	Staff Policy 5 in year
Mr Antony Brian		6			2	2		
Professor Pamela Gillies <i>Principal and Vice-Chancellor</i>		6	4		1	0		3
Mr David Beeby	to 24.01.13		3					
Mrs Hazel Brooke		5			1	2		5
Mr John Chapman		6	5				2	
Mrs Mary Craig	to 25.04.13	0	0					
Mrs Tracy Findlay	to 31.07.13	5					1	3
Ms Carla Fyfe	to 14.06.13	5	5				1	
Ms Laura Gordon		6		4				
Mr Ian Gracie		6	5				2	
Mr Tom Halpin		5		4				
Mr J Gordon Jack		6	6					
Mr Alex Killick							1	5
Mr Matthew Lamb	from 17.06.13	1	0				0	
Dr Rajan Madhok		4			2	1		
Dr James A Miller		6		5		2		5
Mr Gerry Milne	from 01.06.13		1					
Mr Graham Moorhouse	from 25.01.13 to 31.05.13		2					
Mr Hugh O'Neill		5	4				2	
Mr Graham Scott	to 31.07.13	6						5
Mr Iain Stewart		6		5		2		
Mr David Wallace		4	5					
Mr Alistair Webster		5		5				
Professor Stephanie Young		5			2			4

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.

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

Corporate Governance Statement

Introduction

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

This summary describes the manner in which the Court has applied the principles set out in the UK Corporate Governance Code issued by the Financial Reporting Council in June 2010. It has taken due regard to the Scottish Funding Council Accounts Direction requirements, 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 combined compliance

In the opinion of the Court, the University complies with the provisions of the UK Corporate Governance Code in so far as they apply to the higher education sector, and it has complied throughout the year ended 31 July 2013.

University Court

In 2012/13 the Court met six times and has six standing committees which support it. Each committee has formally constituted terms of reference. These committees are a Finance and General Purposes Committee, an Audit Committee, a Remuneration Committee, a Court Membership Committee, a Health and Safety Committee and a Staff Policy Committee. In addition, the Court had an Away Day to consider the operating environment and future strategic direction. The Court undertakes an annual review of the effectiveness of each of its committees and their success in meeting objectives which are set annually.

The Finance and General Purposes Committee met six times in 2012/13. It recommends to Court the University's annual revenue and capital budgets and monitors performance in relation to the approved budgets. The committee also reviews major investment decisions prior to final approval by Court.

The Audit Committee met five times in 2012/13 with the University's external and internal auditors in attendance. The Audit Committee advises the University on the appointment of the internal and external auditors and the auditors' remuneration and assesses the effectiveness of the auditors. The Committee may meet privately with both the internal and external auditors if it wishes and does so at least once annually.

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

affect the University's business and monitors adherence to the regulatory requirements.

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

The Remuneration Committee met twice in 2012/13 and determines the remuneration of members of the Executive, including the Principal and Vice-Chancellor. Information on the remuneration of senior post holders for the year ended 31 July 2013 is set out in note 6 to the financial statements.

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

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

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

The Court Membership Committee's terms of reference require it to keep Court's membership under review and meet to consider nominations for vacancies in the Court membership. Court has a robust process for appointing governors which is based on the principles of transparency and flexibility. The process encompasses a wide range of methods to allow the Court Membership Committee the flexibility to employ whichever recruitment methods are most appropriate to the circumstances. Vacancies on the Court are advertised on the Public Appointments website. The Committee met formally in 2012/13 on two occasions. The University has a responsibility to ensure that appropriate training is given to Court members as required.

The Health and Safety Committee met twice in 2012/13. The terms of reference of the Health and Safety Committee are to formulate safety and environmental policies in order to ensure that the University meets all legislative requirements and best practice standards, and promote and monitor effective implementation of those policies.

The Staff Policy Committee met five times in 2012/13. The main purpose of the Staff Policy Committee is to oversee the development of a People Strategy to support the University's strategic plan, to recommend the

strategy to Court, to report to Court on progress in implementing the strategy and to ensure that policies, procedures and practices relating to staffing matters comply with all relevant employment legislation.

Corporate Strategy

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

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

Statement on risk management and internal control

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

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

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

Facilitated and advised by an external expert, the Court reviewed the effectiveness of its governance framework utilising the Committee of University Chair Guidelines and relevant parts of the report on Governance and Accountability published by the Scottish Government. Review focused on three principal areas:

- Strategy and Performance Review;
- Educational Character and Academic Issues; and
- External Environment

The review concluded, with the endorsement of the external expert, the Court operated well and effectively. Some minor improvements were identified and implemented to enhance further its operation and the value that can be added by Court members.

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

The University has an established approach to the identification and management of risk. There is a strategic institutional risk register which is reviewed annually by Court, Audit Committee and the University Executive Board and includes impact analysis and mitigating actions. The University has a Statement of Risk Appetite. The process of formal risk management and risk appetite is now embedded and continues to evolve at School and Learning, Teaching and Infrastructure Services level with the risk registers in place being reviewed. In addition, there is a Business Continuity Plan in place. As new legislation arrives, actions are taken by internal committees to ensure compliance, and committee papers prepared must indicate how the actions proposed address compliance with legislation. All Schools and Learning, Teaching and Infrastructure Services have operating plans which identify risk and weakness.

Accordingly, the Court is of a view that there is an ongoing process for identifying, evaluating and managing the University's significant risks that has been in place throughout the year ended 31 July 2013 and up to the date of approval of the annual financial statements. This process is reviewed by the Court and accords with the Turnbull guidance, as applicable to the higher education sector.

Going concern

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

Conclusion

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

MR ANTONY BRIAN

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

We have audited the Group and University financial statements of Glasgow Caledonian University for the year ended 31 July 2013 which comprise the Consolidated Income and Expenditure Account, the Consolidated and University Balance Sheets, the Consolidated Cash Flow Statement, the Reconciliation of Net Cash Flow to Movement in Net Funds, the Statement of Consolidated Total Recognised Gains and Losses, the Statement of Consolidated Historical Cost Surpluses, the Statement of Principal Accounting Policies and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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

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

As explained more fully in the Responsibilities of the University Court set out on page 11, the University Court of Glasgow Caledonian University is responsible for the preparation of the financial statements which give a true and fair view. We have been appointed as auditor under section 44 (1)(c) of the Charities and Trustee Investment (Scotland) Act 2005 and report to you in accordance with the regulations made under that Act. Our responsibility is to audit, and express

an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

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

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Group's and University's affairs as at 31 July 2013 and of the Group's income and expenditure, recognised gains and losses and cash flows for the year then ended;
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice and the Statement of Recommended Practice: accounting for further and higher education; and
- have been prepared in accordance with the Charities and Trustee Investment (Scotland) Act 2005, and regulation 14 of the Charities Accounts (Scotland) Regulations 2006 (as amended).

Opinion on other matters prescribed by the terms of our engagement

In our opinion, in all material respects:

- funds from whatever source administered by the institution for specific purposes have been properly applied to those purposes

and if relevant, managed in accordance with relevant legislation, and any other terms and conditions attached to them; and

- funds provided by the Scottish Funding Council have been applied in accordance with the Financial Memorandum.

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

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

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

Stephen Reid
For and on behalf of KPMG LLP,
Statutory Auditor

Chartered Accountants
KPMG LLP is eligible to act as an auditor in terms of section 1212 of the Companies Act 2006
191 West George Street
Glasgow
G2 2LJ

28 November 2013

Statement of Principal Accounting Policies

Basis of preparation

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

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

Change in accounting policy

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

Basis of consolidation

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

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

Income recognition

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

Tuition fees are credited to the income and expenditure account over the period to which they relate and are stated net of discounts and any fees waived by the University.

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

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

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

Agency arrangements

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

Foreign currencies

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

Land and buildings

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

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

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

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

Equipment and furniture

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

Capitalised equipment and furniture are stated at cost.

Depreciation is provided over the following periods:

Computer equipment	3 years
General equipment	5 - 8 years
Furniture	5 - 10 years
Fixtures and Fittings	5 - 10 years

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

Repairs and maintenance

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

Investments

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

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

Endowments and donations

Unrestricted donations

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

Endowment funds

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

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

Stocks

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

Cash flows and liquid resources

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

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

securities and loan stock held as part of the University's treasury management activities. They exclude any such assets held as endowment asset investments.

Taxation status

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

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

Accounting for Retirement Benefits

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

Strathclyde Pension Fund

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

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

Scottish Teachers Superannuation Scheme and Universities Superannuation Scheme

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

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

Provisions

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

Leases

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

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



Financial Statements

Consolidated Income and Expenditure Account

For the year ended 31 July 2013

	Note	2013 £000	2012 £000
Income			
Funding council grants	1	67,445	61,528
Tuition fees and education contracts	2	31,155	30,934
Research grants and contracts	3	4,124	3,858
Other income	4	9,843	9,644
Endowment and investment income	5	583	1,471
Total income		113,150	107,435
Less: Share of income from joint venture	9	(1,462)	(1,216)
Net income		111,688	106,219
Expenditure			
Staff costs	6	70,486	67,084
Restructuring costs	6	1,476	739
Other operating expenses	7	33,717	31,986
Depreciation	8	4,251	4,088
Total expenditure	7	109,930	103,897
Surplus after depreciation of tangible assets at valuation and before taxation		1,758	2,322
Share of operating profit/(loss) in joint venture	9	27	(171)
Surplus on continuing operations after depreciation of tangible assets at valuation and taxation		1,785	2,151
Transfer from/ (to) accumulated income within endowment funds	10	113	(115)
Surplus for the year retained within general reserves		1,898	2,036

All items of income and expenditure arise from continuing operations.

Statement of Consolidated Historical Cost Surpluses

For the year ended 31 July 2013

	Note	2013 £000	2012 £000
Surplus on continuing operations before taxation		1,785	2,151
Difference between historical cost depreciation and the actual charge for the year on the revalued amount	15	1,335	1,335
Historical cost surplus for the year before and after taxation		3,120	3,486

Statement of Consolidated Total Recognised Gains and Losses

For the year ended 31 July 2013

	Note	2013 £000	2012 £000
Surplus on continuing operations after depreciation of assets at valuation and disposal of assets and tax		1,785	2,151
Revaluation of fixed asset land and buildings	15	27,301	-
Revaluation of fixed asset investments	15	3	177
Actuarial gain/ (loss) in respect of pension scheme	24	1,015	(6,662)
Total gains and losses recognised in the year		30,104	(4,334)

Reconciliation:

Opening reserves and endowments		136,754	141,088
Total gains and losses recognised in the year		30,104	(4,334)
Closing reserves and endowments		166,858	136,754

Balance Sheets

As at 31 July 2013

	Note	Consolidated		University	
		2013 £000	2012 £000	2013 £000	2012 £000
Fixed assets					
Tangible assets	8	170,166	141,304	170,166	141,304
Investments	9	2,923	2,920	3,433	3,430
		<u>173,089</u>	<u>144,224</u>	<u>173,599</u>	<u>144,734</u>
Endowment assets	10	159	272	159	272
Current assets					
Stocks		159	165	159	165
Debtors	11	9,501	9,250	9,786	9,194
Short term investments		24,500	27,500	24,500	27,500
Cash at bank and in hand		6,321	3,395	5,318	2,466
		<u>40,481</u>	<u>40,310</u>	<u>39,763</u>	<u>39,325</u>
Creditors: amounts falling due within one year	12	(22,005)	(22,163)	(21,645)	(21,536)
Net current assets		<u>18,476</u>	<u>18,147</u>	<u>18,118</u>	<u>17,789</u>
Total assets less current liabilities		191,724	162,643	191,876	162,795
Less: Provisions for liabilities	13	(7,271)	(6,725)	(7,423)	(6,877)
Net assets excluding pension liability		<u>184,453</u>	155,918	<u>184,453</u>	155,918
Net pension liability	24	(6,855)	(8,629)	(6,855)	(8,629)
Net assets including pension liability		<u>177,598</u>	147,289	<u>177,598</u>	147,289
Deferred capital grants	14	10,740	10,535	10,740	10,535
Endowments					
Expendable	10	109	222	109	222
Permanent	10	50	50	50	50
		<u>159</u>	<u>272</u>	<u>159</u>	<u>272</u>
Reserves					
Income and expenditure account excluding pension reserve	15	87,192	84,718	87,192	84,718
Pension reserve	15	(6,855)	(8,629)	(6,855)	(8,629)
Income and expenditure account including pension reserve		80,337	76,089	80,337	76,089
Revaluation reserve	15	86,362	60,393	86,362	60,393
		<u>166,699</u>	<u>136,482</u>	<u>166,699</u>	<u>136,482</u>
Total funds		<u>177,598</u>	147,289	<u>177,598</u>	147,289

The financial statements on pages 19 to 44 were approved by the University Court on 28 November 2013 and signed on its behalf by:

Mr Antony Brian
Chair of University Court

Professor Pamela Gillies CBE
Principal and Vice-Chancellor

Mr Gerry Milne
Chief Financial Officer

Consolidated Cash Flow Statement

For the year ended 31 July 2013

	Note	2013 £000	2012 £000
Net cash inflow from operating activities	19	5,629	4,857
Returns on investments and servicing of finance	20	416	732
Capital expenditure and financial investment	21	(6,232)	(1,740)
Management of liquid resources	22	3,000	(3,100)
Increase in cash in the year		2,813	749

Reconciliation of net cash flow to movement in net funds

For the year ended 31 July 2013

	Note	2013 £000	2012 £000
Increase in cash in the year		2,813	749
(Decrease)/ increase in short term deposits		(3,000)	3,100
Movement in net funds in the year		(187)	3,849
Net funds at 1 August		31,167	27,318
Net funds at 31 July	23	30,980	31,167

Notes to Financial Statements

For the year ended 31 July 2013

	2013 £000	2012 £000
1 Scottish Funding Council grants		
Recurrent teaching grants	56,813	50,961
Research grants	4,637	3,609
Capital investment funding	622	2,457
Other grants	4,919	4,166
Deferred capital grants released:		
Buildings (note 14)	310	264
Equipment (note 14)	144	71
	<u>67,445</u>	<u>61,528</u>
2 Tuition fees and education contracts	2013 £000	2012 £000
Scotland and EU fees	21,000	21,827
RUK (new fee rates)	474	-
Non-EU fees	9,283	8,924
Research training support grants	170	136
Education contracts	228	47
	<u>31,155</u>	<u>30,934</u>
3 Research grants and contracts	2013 £000	2012 £000
Grants and contracts	<u>4,124</u>	<u>3,858</u>
<p>This sum includes Industrial and Government-funded Research Grants and contracts. It excludes SFC funding for research shown in note 1.</p>		
4 Other income	2013 £000	2012 £000
Residences, catering and conferences	3,133	2,593
Other university services	2,727	2,322
Other income	2,521	3,513
Income from joint venture	1,462	1,216
	<u>9,843</u>	<u>9,644</u>
5 Endowment and investment income	2013 £000	2012 £000
Income from expendable endowments	88	332
Income from permanent endowments	1	1
Other interest receivable	339	460
Net return on pension scheme (note 24)	155	678
	<u>583</u>	<u>1,471</u>

For the year ended 31 July 2013

	2013 £000	2012 £000
6 Staff costs		
Wages and salaries	58,070	55,247
Social security costs	4,985	4,722
Other pension costs	7,431	7,115
	<u>70,486</u>	<u>67,084</u>

	2013 £000	2012 £000
Analysed as:		
Academic	43,551	41,785
Administrative	21,977	20,383
Technical	2,451	2,406
Others	2,507	2,510
	<u>70,486</u>	<u>67,084</u>

Emoluments of the Principal and Vice-Chancellor	2013 £000	2012 £000
Salary	211	211
Performance related payment	15	15
Payments in lieu of pension contributions	37	10
Benefits in kind	1	3
Pension contributions to USS	-	24

Average staff numbers by majority category	2013 Number	2012 Number
Academic	691	671
Administrative	531	485
Technical	55	54
Others	114	117
	<u>1,391</u>	<u>1,327</u>

For the year ended 31 July 2013

6 Staff costs (continued)

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

	2013 £000	2012 £000
£70,000 - £79,999	25	16
£80,000 - £89,999	11	11
£90,000 - £99,999	8	5
£100,000 - £109,999	-	2
£110,000 - £119,999	2	4
£120,000- £129,999	4	3
£130,000- £139,999	2	1
£140,000- £149,999	-	-
£150,000- £159,999	-	-
£160,000- £169,999	1	-
£170,000- £179,999	-	1
£180,000- £189,999	-	-
£190,000- £199,999	-	1

Compensation for loss of office payable to senior post holders

	2013 £000	2012 £000
Compensation payable	<u>314</u>	<u>236</u>

Restructuring costs

During the year the University operated a Voluntary Early Release Scheme open to all staff.

The breakdown of that scheme is as follows:

	2013 £000	2012 £000
Academic	1,163	333
Administrative	258	346
Technical	44	7
Others	-	1
Associated costs (non payroll)	11	52
	<u>1,476</u>	<u>739</u>

For the year ended 31 July 2013

7 Analysis of Expenditure by activity

	Staff costs £000	Restructuring costs £000	Other operating costs £000	Depreciation £000	2013 Total £000	2012 Total £000
Academic departments	44,916	1,163	6,823	531	53,433	50,571
Academic services	9,108	44	8,499	143	17,794	15,790
Research grants & contracts	2,292	-	1,680	-	3,972	4,151
Residences, catering & conferences	379	-	770	300	1,449	1,318
Premises	3,428	-	6,970	3,063	13,461	13,257
Administration & central services	10,363	258	8,319	214	19,154	17,981
Other expenses	-	11	656	-	667	829
Total per I & E account	<u>70,486</u>	<u>1,476</u>	<u>33,717</u>	<u>4,251</u>	<u>109,930</u>	<u>103,897</u>

Other operating expenses (including VAT) include:

	2013 £000	2012 £000
Auditor's remuneration		
External auditors remuneration in respect of audit services	52	51
External auditors remuneration in respect of non-audit services	6	25
Internal auditors remuneration in respect of audit services	127	124
Internal auditors remuneration in respect of non-audit services	<u>16</u>	<u>-</u>
Operating lease rentals		
Land and buildings	1,332	1,302
Other	<u>147</u>	<u>148</u>

8 Tangible assets
Consolidated & University

At 31 July 2013, in accordance with FRS 11 'Impairment of Fixed Assets and Goodwill' and FRS 15 'Tangible Fixed Assets' the University instructed Ryden LLP, Chartered Surveyors, to carry out a valuation of the University's buildings using the depreciated replacement cost method. The valuation concluded that given the specialised nature, use, size and the refurbishment programme applied to the buildings there was no impairment in value as at 31 July 2013 and that there would be an increase in the value of the University's buildings that were previously revalued as at 31 July 2010.

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

For the year ended 31 July 2013

8 Tangible assets (continued)
Consolidated & University

	Land & Buildings £000	Assets under Construction £000	Fixtures & Fittings £000	Equipment & Furniture £000	Total £000
Valuation/Cost					
At 1 August 2012	145,963	943	1,534	12,787	161,227
Additions	962	4,072	260	1,893	7,187
Disposals	-	-	-	(119)	(119)
Revaluation	16,512	-	-	-	16,512
At 31 July 2013	163,437	5,015	1,794	14,561	184,807
Depreciation					
At 1 August 2012	6,625	-	1,273	12,025	19,923
Charge for year	3,306	-	146	799	4,251
Disposals	-	-	-	(119)	(119)
Revaluation	(9,414)	-	-	-	(9,414)
At 31 July 2013	517	-	1,419	12,705	14,641
Net Book Value					
At 31 July 2013	162,920	5,015	375	1,856	170,166
At 31 July 2012	139,338	943	261	762	141,304

At 31 July 2013, land and buildings included £9.7m (2012: £10.8m) in respect of the net book value of freehold land and is not depreciated.

Buildings with a revalued cost of £1.7m (2012: £1.8m) and accumulated depreciation of £nil (2012: £0.22m) 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 £50.5m have been funded from Treasury sources: should these particular buildings be sold, the University would either have to surrender the proceeds to the Treasury or use them in accordance with the Financial Memorandum with the Scottish Funding Council.

For the year ended 31 July 2013

9 Investments

	Consolidated		University	
	2013	2012	2013	2012
	£000	£000	£000	£000
Treasury index linked stocks	2,840	2,837	2,840	2,837
Subsidiary undertakings at cost	-	-	510	510
Other investments	83	83	83	83
	<u>2,923</u>	<u>2,920</u>	<u>3,433</u>	<u>3,430</u>

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

The University owns 100% of Glasgow Caledonian University Company Limited, which is regarded as a subsidiary undertaking. It was incorporated to develop and control the commercial exploitation of certain non-recurrent grant activities relating mainly to consultancy assignments and short courses. Costs incurred by the University in respect of work undertaken by the subsidiary undertaking are recharged to the company. The investment in this subsidiary undertaking represents 110,000 £1 ordinary shares in Glasgow Caledonian University Company Limited. At 31 July 2013 £541k Gift Aid is payable by the Company to the University (2012: £328k).

The University owns 100% of GCU INTO Limited established to operate the joint venture arrangements, INTO Scotland LLP, trading as INTO Glasgow Caledonian University. This investment represents 100 £1 ordinary shares and 299,900 £1 redeemable preference shares.

The University owns 100% of GCU Academy Limited. The company was established to operate courses, designed 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 2013 £179k Gift Aid is payable by GCU Academy to the University (2012: £30k).

The University controls 100% of GCU NYC Inc. This nonstock corporation was incorporated in February 2013 and through the GCU New York centre will deliver executive training and short courses. On 1 July 2013 the University entered into a loan agreement to lend a maximum aggregate of \$5m to GCU NYC Inc, at an interest rate for each advance being the lesser of 2.5% or the highest rate permitted by applicable law. At 31 July 2013 \$601k (£397k) of this loan had been drawn down and is included in debtors falling due after more than one year (note 11). In September 2013 GCU agreed a Standby Letter of Credit for \$2.25m in respect of the leasehold property in New York.

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

For the year ended 31 July 2013

9 Investments (continued)

Joint Venture

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

On 28 May 2008 GCU INTO Limited entered into a loan agreement to lend up to £350k to INTO Scotland LLP, at an interest rate of 2% above the base lending rate of Royal Bank of Scotland plc. At 31 July 2013 £100k of the loan had been drawn down (2012: £100k). HMRC have confirmed that the investment is a qualifying investment for tax purposes, as it is always to be used to advance Education.

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

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

	2013 £000	2012 £000
Income and Expenditure Account		
Income	1,462	1,216
Share of operating profit/(loss)	27	(171)
Balance Sheet		
Fixed assets	84	91
Current assets	981	453
	1,065	544
Liabilities: due within one year	(1,337)	(843)
Liabilities: due after more than one year	(100)	(100)
	(1,437)	(943)
Share of net liabilities	(372)	(399)

In accordance with FRS 9 'Associates and Joint Ventures' the share in net liabilities as at 31 July 2013 has been disclosed in Note 13 Provisions for liabilities.

For the year ended 31 July 2013

10 Endowments

	Unrestricted permanent £000	Restricted permanent £000	Total permanent £000	Restricted expendable £000	2013 Total £000	2012 Total £000
At 1 August						
Capital	14	26	40	215	255	140
Accumulated Income	-	10	10	7	17	17
	<u>14</u>	<u>36</u>	<u>50</u>	<u>222</u>	<u>272</u>	<u>157</u>
New endowments	-	-	-	-	-	-
Income	-	1	1	88	89	333
Expenditure	-	(1)	(1)	(201)	(202)	(218)
	<u>-</u>	<u>-</u>	<u>-</u>	<u>(113)</u>	<u>(113)</u>	<u>115</u>
At 31 July	<u>14</u>	<u>36</u>	<u>50</u>	<u>109</u>	<u>159</u>	<u>272</u>
Represented by:						
Capital	14	26	40	101	141	255
Accumulated income	-	10	10	8	18	17
	<u>14</u>	<u>36</u>	<u>50</u>	<u>109</u>	<u>159</u>	<u>272</u>
Represented by:						
Cash at bank held for endowment funds					<u>159</u>	<u>272</u>

11 Debtors

	Consolidated		University	
	2013 £000	2012 £000	2013 £000	2012 £000
Amount falling due within one year:				
Debtors	3,984	4,391	3,633	3,952
Amounts owing from subsidiary companies	-	-	759	417
Prepayments and accrued income	4,111	3,867	3,982	3,830
Debtors falling due after more than one year	3,897	3,500	3,897	3,500
Provision for bad and doubtful debts	(2,491)	(2,508)	(2,485)	(2,505)
	<u>9,501</u>	<u>9,250</u>	<u>9,786</u>	<u>9,194</u>

For the year ended 31 July 2013

11 Debtors (continued)

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

12 Creditors: amounts falling due within one year

	Consolidated		University	
	2013 £000	2012 £000	2013 £000	2012 £000
Trade creditors	4,064	4,764	4,054	4,747
Social security and other taxation payable	1,495	1,451	1,495	1,451
Amounts owing to subsidiary companies	-	-	-	-
Accruals and deferred income	16,446	15,948	16,096	15,338
	<u>22,005</u>	<u>22,163</u>	<u>21,645</u>	<u>21,536</u>

13 Provision for liabilities

	INTO Scotland LLP		Early retirement pension costs	Total
	£000	Other £000	£000	
Consolidated				
At 1 August 2012	399	245	6,081	6,725
Expenditure in the year	-	(100)	(430)	(530)
Additional provision required in the year	(27)	498	605	1,076
At 31 July 2013	<u>372</u>	<u>643</u>	<u>6,256</u>	<u>7,271</u>
University				
At 1 August 2012		796	6,081	6,877
Expenditure in the year		(100)	(430)	(530)
Additional provision required in the year		471	605	1,076
At 31 July 2013		<u>1,167</u>	<u>6,256</u>	<u>7,423</u>

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

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

A valuation of the existing pension provision was carried out by Hymans Robertson LLP, an independent firm of actuaries at 31 July 2013. The net interest rate applied was 2.0% (2012: 2.5%). This is reflected in the above calculations.

For the year ended 31 July 2013

14 Deferred capital grants

	Consolidated & University		
	Buildings £000	Equipment £000	Total £000
At 1 August 2012			
Funding Council	10,496	39	10,535
Cash receivable			
Funding Council	-	659	659
Released to income and expenditure account			
Funding Council	(310)	(144)	(454)
At 31 July 2013			
Funding Council	10,186	554	10,740

15 Reserves

	Consolidated		University	
	2013 £000	2012 £000	2013 £000	2012 £000
Income and expenditure reserve				
At 1 August	76,089	79,158	76,089	79,158
Surplus retained	1,898	2,036	1,898	2,036
Transfer from revaluation reserve to Income and expenditure account	1,335	1,335	1,335	1,335
Cumulative revaluation written back on fixed asset investment disposals	-	222	-	222
Actuarial gain/ (loss) in pension scheme	1,015	(6,662)	1,015	(6,662)
At 31 July	80,337	76,089	80,337	76,089
Represented by:				
Income and expenditure account				
At 1 August	84,718	82,269	84,718	82,269
Surplus retained	1,898	2,036	1,898	2,036
Cumulative revaluation written back on fixed asset investment disposals	-	222	-	222
Transfer of amount equivalent to additional depreciation of fixed assets	1,335	1,335	1,335	1,335
Transfer to pension reserve	(759)	(1,144)	(759)	(1,144)
At 31 July	87,192	84,718	87,192	84,718

For the year ended 31 July 2013

15 Reserves (continued)

	Consolidated		University	
	2013 £000	2012 £000	2013 £000	2012 £000
Pension reserve				
At 1 August	(8,629)	(3,111)	(8,629)	(3,111)
Movement in year:				
Current service cost	(2,868)	(2,758)	(2,868)	(2,758)
Employer contributions	3,512	3,367	3,512	3,367
Contributions in respect of unfunded benefits	40	38	40	38
Past service cost	(80)	(181)	(80)	(181)
Net interest return on assets (note 5)	155	678	155	678
Transfer from income and expenditure reserve	759	1,144	759	1,144
Actuarial gain/(loss) in pension scheme	1,015	(6,662)	1,015	(6,662)
At 31 July	(6,855)	(8,629)	(6,855)	(8,629)

	Consolidated		University	
	2013 £000	2012 £000	2013 £000	2012 £000
Revaluation reserve				
At 1 August	60,393	61,773	60,393	61,773
Cumulative revaluation written back on fixed asset investment disposals	-	(222)	-	(222)
Transfer of amount equivalent to additional depreciation of fixed assets	(1,335)	(1,335)	(1,335)	(1,335)
Revaluation of fixed asset buildings	27,301	-	27,301	-
Revaluation of fixed asset investments	3	177	3	177
At 31 July	86,362	60,393	86,362	60,393

16 Lease obligations

Annual rentals under operating leases commitments are as follows:

Land and buildings

	2013 £000	2012 £000
Expiring within one year	14	-
Expiring within two to five years	648	778
Expiring over five years	450	450
	<u>1,112</u>	<u>1,228</u>

Other

	2013 £000	2012 £000
Expiring within one year	5	26
Expiring within two to five years	141	118
Expiring in over five years	-	-
	<u>146</u>	<u>144</u>

For the year ended 31 July 2013

17 Capital and other investments

	2013 £000	2012 £000
Commitments contracted for	3,190	6,350
Authorised but not contracted for	<u>29,345</u>	<u>26,499</u>
	<u>32,535</u>	<u>32,849</u>

The above commitments include the capital investments in the Heart of Campus development. Of the commitments, £10m (2012:£10m) will be funded from a 16 year loan facility agreed with Lloyds Banking Group and backed by the European Investment Bank, with the balance being funded from cash reserves and grants.

18 Contingent liabilities

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

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

	2013 £000	2012 £000
Surplus after depreciation of assets, disposal of assets and taxation	1,785	2,151
Depreciation	4,251	4,088
Pension costs less contribution payable	(604)	(466)
Deferred capital grants released to income	(454)	(335)
Share of operating (profit)/loss in joint venture	(27)	171
Endowment and investment income	(583)	(1,471)
Unrealised loss on revaluation	1,392	-
Gain on sale of investments	-	(8)
Decrease/ (increase) in stocks	7	(6)
(Increase)/ decrease in debtors	(255)	647
Decrease in creditors	(456)	(32)
Increase in provisions	<u>573</u>	<u>118</u>
Net cash inflow from operating activities	<u>5,629</u>	<u>4,857</u>

For the year ended 31 July 2013

20	Returns on investments and servicing of finance			
		2013 £000	2012 £000	
	Income from endowments	89	333	
	Other interest received	<u>327</u>	<u>399</u>	
	Net cash inflow from returns on investment and servicing of finance	<u>416</u>	<u>732</u>	
21	Capital expenditure and financial investments			
		2013 £000	2012 £000	
	Tangible assets acquired	(6,824)	(1,452)	
	Payments made to acquire fixed asset investments	-	(672)	
	Receipts from sale of investments	-	673	
	Deferred capital grants	<u>592</u>	<u>(289)</u>	
	Net cash outflow in respect of capital expenditure and financial investment	<u>(6,232)</u>	<u>(1,740)</u>	
22	Management of liquid resources			
		2013 £000	2012 £000	
	Decrease/(increase) in deposits	<u>3,000</u>	<u>(3,100)</u>	
		<u>3,000</u>	<u>(3,100)</u>	
23	Analysis of changes in net funds			
		At 1 August 2012	Cash flows	At 31 July 2013
		£000	£000	£000
	Cash at bank and in hand	3,395	2,926	6,321
	Endowment assets	<u>272</u>	<u>(113)</u>	<u>159</u>
		3,667	2,813	6,480
	Short term investments	<u>27,500</u>	<u>(3,000)</u>	<u>24,500</u>
		<u>31,167</u>	<u>(187)</u>	<u>30,980</u>

For the year ended 31 July 2013

24 Pension schemes

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

The University contribution rates on eligible salary costs are:

	1/8/2012 to 31/07/2013
Academic staff STSS	14.9%
Administrative and Manual Staff SPF	19.3%
Academic staff USS	16.0%

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

	2013 £000	2012 £000
The total pension costs for the year were:		
Normal contribution to:		
STSS - contributions paid	3,912	3,772
SPF - charge to income and expenditure account	2,868	2,759
USS - contributions paid	651	584
	7,431	7,115

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

The Strathclyde Pension Fund

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

For the year ended 31 July 2013

24 Pension schemes (continued)

A valuation of the University's benefit obligations in respect of its members has been estimated by a qualified independent actuary based on the 31 March 2011 valuation results, rolled forward onto the FRS 17 assumptions at 31 July 2013.

The major assumptions used are shown below.

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

Financial assumptions	2013	2012
Pension increase	2.60%	1.80%
Salary increase rate*	4.65%**	3.85%*
Expected return on assets	5.80%	4.90%
Discount rate	4.60%	4.30%

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

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

Mortality assumptions

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

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

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

	2013		2012	
	Long term rate of return	Value £000	Long term rate of return	Value £000
Equities	6.4%	78,697	5.5%	61,581
Bonds	3.8%	14,497	3.3%	10,967
Property	4.6%	7,249	3.7%	6,749
Cash	3.4%	3,107	2.8%	5,062
		<u>103,550</u>		<u>84,359</u>

For the year ended 31 July 2013

24 Pension schemes (continued)

	2013 £000	2012 £000
Fair value of plan assets	103,550	84,359
Present value of funded defined benefit obligations	(109,955)	(92,547)
Present value of unfunded defined benefit obligations	(450)	(441)
Net liability	<u>(6,855)</u>	<u>(8,629)</u>

Movements in fair value of plan assets

	2013 £000	2012 £000
At 1 August	84,359	82,111
Expected return on plan assets	4,194	5,339
Actuarial gains/ (losses)	12,509	(5,784)
Contributions by the employer	3,512	3,367
Contributions in respect of unfunded benefits	40	38
Contributions by members	1,216	1,122
Unfunded benefits paid	(40)	(38)
Benefits paid	(2,240)	(1,796)
At 31 July	<u>103,550</u>	<u>84,359</u>

Movements in present value of defined benefit obligations

	2013 £000	2012 £000
At 1 August	92,988	85,222
Current service cost	2,868	2,758
Past service costs	80	181
Interest cost	4,039	4,661
Actuarial losses	11,494	878
Contributions by members	1,216	1,122
Estimated unfunded benefits paid	(40)	(38)
Benefits paid	(2,240)	(1,796)
At 31 July	<u>110,405</u>	<u>92,988</u>

Expense recognised in the income and expenditure account

	2013 £000	2012 £000
Current service cost	2,868	2,758
Past service cost	80	181
Total operating charge	<u>2,948</u>	<u>2,939</u>
Expected return pension scheme assets	(4,194)	(5,339)
Interest cost	4,039	4,661
Total net finance return	<u>(155)</u>	<u>(678)</u>
Total pension cost recognised in the income and expenditure account	<u>2,793</u>	<u>2,261</u>

For the year ended 31 July 2013

24 Pension schemes (continued)

	2013	£000	2012	£000
Statement of total recognised gains and losses (STRGL)				
Actuarial gains/ (losses)		1,015		(6,662)

The cumulative actuarial losses recognised in the statement of total recognised gains and losses are (£5,485,000) (2012: (£6,500,000)).

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

	2013	2012	2011	2010	2009
	£000	£000	£000	£000	£000
Balance sheet					
Present value of scheme liabilities	(109,955)	(92,547)	(84,784)	(76,511)	(71,871)
Fair value of scheme assets	103,550	84,359	82,111	71,817	58,906
Present value of unfunded liabilities	(450)	(441)	(438)	(279)	(306)
Net liability	(6,855)	(8,629)	(3,111)	(4,973)	(13,271)
Experience adjustments					
	2013	2012	2011	2010	2009
	£000/%	£000/%	£000/%	£000/%	£000/%
Experience adjustments on scheme liabilities	(171)	865	(181)	10	13
Percentage of scheme liabilities	0.15	0.93	0.21	0.01	0.02
Experience adjustments on scheme assets	12,509	(5,784)	2,929	5,994	(9,152)
Percentage of scheme assets	12.1	6.86	3.56	8.34	15.54

The University expects to contribute approximately £3,532k to the Strathclyde Pension Fund in 2013/14. There were no outstanding contributions at the balance sheet date (2012: nil).

The Scottish Teachers Superannuation Scheme

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

The latest full actuarial valuation of the STSS received from the Scottish Public Pension Agency is as at 31 March 1996. However, an actuarial review as at 31 March 2005 was issued in June 2008 by the Government Actuary. This review shows assets of £13,030m and the review assumes that the investment rate of return would be 2% in real terms and that pensions would increase by 3.5% per annum in real terms. There were no outstanding contributions at the balance sheet date (2012: nil).

For the year ended 31 July 2013

24 Pension schemes (continued)

Universities Superannuation Scheme (USS)

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

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

The latest triennial actuarial valuation of the scheme was at 31 March 2011. This was the second valuation for USS under the scheme-specific funding regime introduced by the Pensions Act 2004, which requires schemes to adopt a statutory funding objective, which is to have sufficient and appropriate assets to cover their technical provisions. The actuary also carries out regular reviews of the funding levels. In particular, he carries out a review of the funding level each year between triennial valuations and details of his estimate of the funding level at 31 March 2013 are also included in this note.

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

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

For the year ended 31 July 2013

24 Pension schemes (continued)

Universities Superannuation Scheme (USS) (continued)

Standard mortality tables were used as follows:

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

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

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

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

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

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

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

For the year ended 31 July 2013

24 Pension schemes (continued)

Universities Superannuation Scheme (USS) (continued)

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

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

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

New Entrants

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

Normal pension age

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

Flexible Retirement

Flexible retirement options were introduced.

Member contributions increased

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

Cost sharing

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

Pension increase cap

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

The actuary has estimated that the funding level as at 31 March 2013 under the scheme specific funding regime had fallen from 92% to 77%. This estimate is based on the results from the valuation at 31 March 2011 allowing primarily for investment returns and changes to market conditions. These are sighted as the two most significant factors affecting the funding positions which have been taken into account for the 31 March 2013 estimation.

For the year ended 31 July 2013

24 Pension schemes (continued)

Universities Superannuation Scheme (USS) (continued)

On the FRS17 basis, using an AA bond discount rate of 4.2% per annum based on spot yields, the actuary calculated that the funding level at 31 March 2013 was 68%. An estimate of the funding level measured on a historic gilts basis at that date was approximately 55%.

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

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

At 31 March 2013, USS had over 148,000 active members and the institution had one deferred member and 83 active members participating in the scheme. There were no outstanding contributions at the balance sheet date (2012: nil).

25 Disclosure of related party transactions

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

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

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

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

For the year ended 31 July 2013

26 Childcare and Hardship Fund

	Childcare Fund £000	Hardship Fund £000	Total £000
At 1 August 2012	3	13	16
Allocation received in year	540	1,030	1,570
Expenditure	(244)	(1,325)	(1,569)
Repaid by clawback	(3)	(13)	(16)
Institution contribution to funds (bank interest)	-	3	3
Virements	(296)	296	-
At 31 July 2013	-	4	4
Repayable as clawback	-	4	4
Retained for students	-	-	-

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

27 Post balance sheet events

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