



University
of Glasgow

REPORTS & FINANCIAL STATEMENTS

FOR THE YEAR TO 31 JULY 2018

**WORLD
CHANGING
GLASGOW**

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Charity number: SC004401

OPERATING AND FINANCIAL REVIEW

This Operating and Financial Review describes the main trends and factors underlying the University of Glasgow's (the University's) performance during the year to 31 July 2018 (2017-18).

History

The University is the fourth oldest University in the English-speaking world. Founded in 1451 it has earned an international reputation for research innovation, for connecting with experts in global business, and for inspiring thinkers, from the father of economics Adam Smith, to the eminent scientist Lord Kelvin. Building on such vast experience, the University is a member of the elite Russell Group of 24 major research universities.

Principal operations

Study and research are grouped into four Colleges, which are made up of broadly related Schools and Research Institutes. The Colleges are:

- College of Arts
- College of Medical, Veterinary and Life Sciences
- College of Science and Engineering
- College of Social Sciences

The majority of operations are carried out on the University's main Gilmorehill campus in the West End of Glasgow. Finding community within diversity, the University attracts students from more than 150 countries, as well as academics from around the globe. In addition, as a venue for international conferences and a hub of cultural interest, the University is also a major contributor to the cultural and commercial life of the country.

Constitution, governance and regulation

Founded by Papal Bull in 1451, much of the University's modern constitutional framework derives from the Universities (Scotland) Act 1966, which updated and expanded on the Universities (Scotland) Acts 1858 to 1932. These Acts make provision for the main statutory bodies and officers of the University - the Court, the Senate, the General Council, the Chancellor, the Principal and Vice Chancellor, and the Rector - and set out the powers and duties of the statutory bodies and officers, as well as specifying the composition of the statutory bodies.

From 1858 until 1966 the University exercised its powers using Ordinances. These were drafted by the University and given legal authority by the Privy Council after approval by the General Councils of the other Scottish Universities. The Universities (Scotland) Act 1966 enabled the University to exercise its powers using Resolutions and Procedures. Resolutions are issued by the University Court of the University of Glasgow

(Court) after consultation with the University. Procedures are as determined by Court. In a few areas, mainly of constitutional import, Ordinances are still required.

Court is responsible for the management and regulation of the financial affairs of the University, ensuring compliance with the Financial Memorandum and associated guidance as published by the Scottish Funding Council (SFC). A full statement of Court's responsibilities, membership and corporate arrangements is detailed within these reports and financial statements. The University is a charity and is registered with the Office of the Scottish Charity Regulator under number SC004401. The Principal is the chief executive officer appointed by Court who is directly accountable to the chief executive officer of the Scottish Funding Council for the University's proper use of funds.

Inspiring People - Changing the World

In 2015 the University published its current 5-year strategy, Inspiring People – Changing the World. The strategy articulates a vision for the University – to be a world-class, world-changing university, complementing the University's mission to bring inspiring people together and create a world class environment for learning and research, empowering staff and students alike to discover and share knowledge that can change the world. The strategy is articulated across three key sections:

People: the University wants to be regarded among the very finest higher education institutions in the world. For that to happen, it needs to attract the best of the best – staff and students alike. The people section details the University's strategy to attract world-class staff and talented students from every corner of the globe and connect with the finest minds worldwide through international partnership and cooperation.

Place: The University wants to provide an internationally excellent environment which inspires its staff and students as world-class learners, researchers and professionals. The place section details its vision for world-class supporting infrastructure realised through cutting-edge facilities, best in class systems and outstanding professional support functions.

Purpose: The University exists to discover world-changing knowledge and then share it with students and society at large. The purpose section articulates its vision for internationally excellent teaching, globally significant research, and local and global civic engagement that has tangible benefits and impact for communities.

Inspiring People identifies 9 primary and 13 secondary key performance indicators (KPIs) to assess the University's progress and performance over the 2015 – 2020 strategic period. The KPIs encompass research, the student experience, internationalisation, staff satisfaction, financial health and efficiency of the estate. As at 31 July 2018 the University had met 7 of its primary KPIs and was behind on 2.

Recruitment

The University met all of its recruitment targets for 2017-18 whilst maintaining the high average qualification tariff for new students that the University has held for the last five years.

The University's entry tariff ranking within the Russell Group maintained its competitive placing of 5th. The University has also had significant success in recruitment to taught postgraduate programmes with numbers rising by 18% in 2017-18.

Outcome Agreements

During 2012-13, in return for the increased financial settlement to the HE sector, the Scottish Government indicated that it expected the Scottish Funding Council to ensure that improved outcomes are delivered by universities. In response, the SFC implemented Outcome Agreements with each university. Each agreement contains targets that will enable the SFC to detail and report improvements back to the Scottish Government.

The current Outcome Agreement focusses on the following areas: widening access, high quality learning and teaching, world leading research, innovation and governance. The document also has a number of cross-cutting themes that included: partnership working, gender, employer engagement and carers.

Teaching

The University of Glasgow is a founding member of Universitas 21, an international grouping of universities dedicated to setting worldwide standards for higher education.

The Student Experience

The University's outstanding reputation for research, learning and teaching, and its investment in facilities is contributing to making the University an attractive choice for the best undergraduate and postgraduate students from across the globe.

The University has a sustained track record of high achievement in student satisfaction as measured by the National Student Survey (NSS).

OPERATING AND FINANCIAL REVIEW (continued)

The University's overall average satisfaction score dipped slightly to 88% in 2017-18. Despite this, the University improved its ranking to 2nd in Scotland and 1st in the Russell Group for student satisfaction. The University is not complacent, and issues raised by students through the NSS continue to be added to the University's ongoing NSS action plan.

While not a direct measurement of student satisfaction or the student experience, the University's performance in national and international league tables is an important indicator of overall quality of provision.

The University's international league table positioning has remained in the Top 100, although we have fallen in 2017-18; four places to 69th in the QS World University Rankings (2017: 65th) and falling 13 places from last year's THES World University Rankings to 93rd (2017: 80th). The University's ranking in the Shanghai Jiao Tong is within the 151-200 band. The University's performance in domestic league tables improved for the Times/Sunday Times and the Complete University Guide with rank positions as follows; 17th for the Times/Sunday Times (2017: 20th), 24th for the Complete University Guide (2017: 27th), however there was a slight decrease for the Guardian at 24th (2017: 23rd).

Student Employability

According to the latest data available from the Higher Education Statistics Agency (2016-17 cohort) for UK-domiciled students, one year after graduation 95.9% of our graduates who obtained a full-time first degree undergraduate qualification are in employment or further study.

Internationalisation

The University continued to see a steady year-on-year increase in entrants from students outside the EU, with sustained growth for the ninth consecutive year. International student numbers grew by 11% on the previous year and growth was seen at all levels of study. The University's continued success in attracting international students reflects the efforts put into strategic country marketing campaigns and the return on investment from the University's in-country based International Recruitment Officers.

The University continues to develop its partnership with Glasgow International College (GIC) to offer academic skills and English language courses preparing international students for entry to the University's undergraduate and postgraduate programmes. Applications to GIC grew once again in 2017-18, and for the first time in the ten-year relationship, new entrants to the University from GIC are expected to exceed 850 in session 2018-19.

In recent years, the University has established Transnational Education (TNE) partnerships with the Singapore Institute of Technology (SIT), University of Electronics Science and Technology of China (UESTC) and Nankai University to enable students to gain a University of Glasgow degree overseas whilst being taught by University of Glasgow staff. The University comfortably hit its overall targets for 2017-18, with 2,199 students: 119 on degrees with Nankai, 1,237 on degrees with UESTC, and 837 undergraduate and 6 PhD students with SIT. Further growth is anticipated in 2018-19 as full student cohorts are recruited.

On 19 June 2018 the University of Glasgow signed a partnership agreement with Leuphana University of Lüneburg.

Widening Participation

Widening Participation (WP) remains a prominent and important strategic area for the University. We made extensive contributions to the Scottish Government's Commission on Widening Access with much of our work cited as sector leading best practice. We are now actively contributing to implementation discussions and planning. Meanwhile we continue to exceed our MD20 (Most Deprived 20%) recruitment targets and lay the groundwork to exceed increased targets in the future.

We continued to have strong engagement with school pupils in 2017-18, over 20,000 Primary 7 – Secondary 6 pupils, up from just over 4,000 Secondary 4 - Secondary 6 pupils five years ago.

Research

The University's focused investment in recruiting and nurturing research leadership has led to substantial grant income and has led to increased underlying income growth. The University has six research beacons which are cross-disciplinary areas of research excellence which have attracted major financial and intellectual investment. They bring together inspiring researchers from across the University who are working with other institutions, funders, practitioners, policy makers and charities to address grand challenges that have impact on both a national and international scale. The research beacons are:

- Precision Medicine & Chronic Diseases
- Cultural & Creative Economies
- Future Life
- One Health
- Addressing Inequalities
- The Nano & Quantum World

Glasgow is in 5th place in the Russell Group for research income per FTE, and the University has had notable

successes in attracting multi-million pound awards of an increasingly collaborative and interdisciplinary nature to tackle worldwide problems. This has led Glasgow to be the top University in Scotland for attracting funding from the Global Challenges Research Fund.

Research Excellence Framework

The outcomes of the Research Excellence Framework in 2014 (REF 2014) showed that the power of the University's research (overall quality multiplied by volume) placed it 12th in the UK and 2nd in Scotland. The percentage of research judged to be 'world leading' – the top category – doubled to 31% between the 2008 and 2014 assessment exercises. Since 2014, the University has initiated an intense programme of reviews to ensure that each discipline fulfils its potential in all aspects of the research portfolio – the volume and diversity of income but importantly the quality of outputs, impact and leadership – in preparation for the next REF submission in 2020.

OPERATING AND FINANCIAL REVIEW (continued)

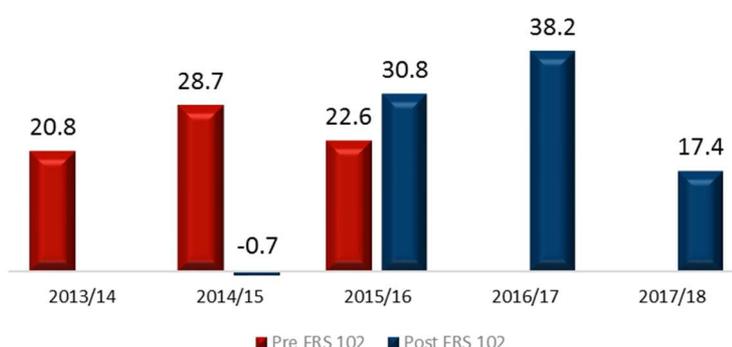
Income and expenditure

The University enjoyed another successful year financially.

The graph on the right shows the trend in operating surplus over the last five years, including the FRS 102 conversion impact on the University financial statements for 2014-15 and 2015-16.

The table below includes some of the financial highlights for the year.

£m - Operating Surplus excluding exceptional items
Five Year History



Financial highlights for the year

	2018 £m	2017 £m
Consolidated income	630.6	607.8
Consolidated expenditure	(613.2)	(569.6)
Surplus before other gains	17.4	38.2
Income from overseas students	120.0	99.8
Cash and cash equivalents at year end	207.4	231.8
Investment funds	212.5	175.4
Available funds	419.9	407.2
Capital purchases	41.9	38.0
Campus masterplan spend to date	61.9	25.3

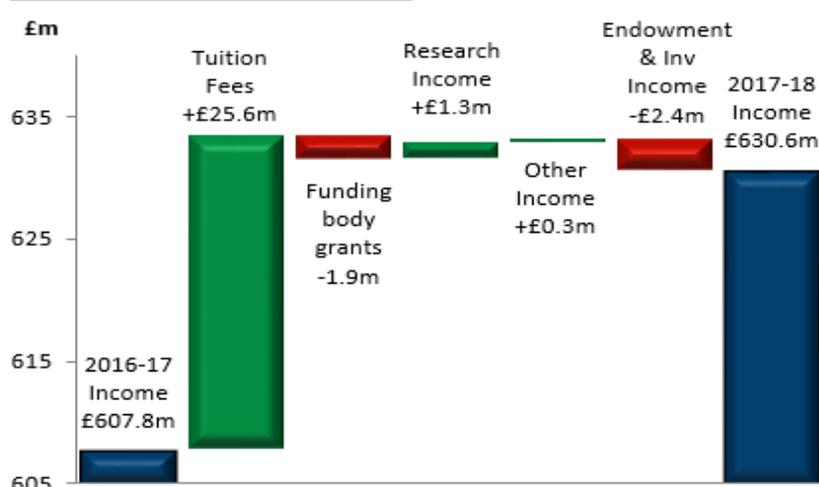
Income

Total income increased by £22.8m or 3.8% from 2016-17 to 2017-18.

The main movements are as follows:

- Income from tuition fees and education contracts grew by £25.6m or 14.3% to £204.0m (2016-17: £178.4m). The largest movement was in overseas students, with income growing by 20.2% (2016-17: 14.3%) due to increased student numbers and average fees;
- Income from funding body grants decreased by £1.9m or 1.2% in 2017-18 (2016-17 increase 1.1%), primarily driven by decreased infrastructure grants, partially offset by an increase in the main teaching and research grants;
- Underlying research income (research income excluding movements in capital grants) has increased by £10.6m during the year. This is offset by a reduction in

Income - Year on Year movement



capital grant income of £9.3m. This resulted in a net increase in income from research grants and contracts before exceptional items of £1.3m or 0.7% in (2016-17 increase £4.3m or 2.5%);

- Other income increased by £0.3m; and
- Endowment and investment income reduced by £2.4m due to larger income receipts in 2016-17 as a result of a change in fund manager.

OPERATING AND FINANCIAL REVIEW (continued)

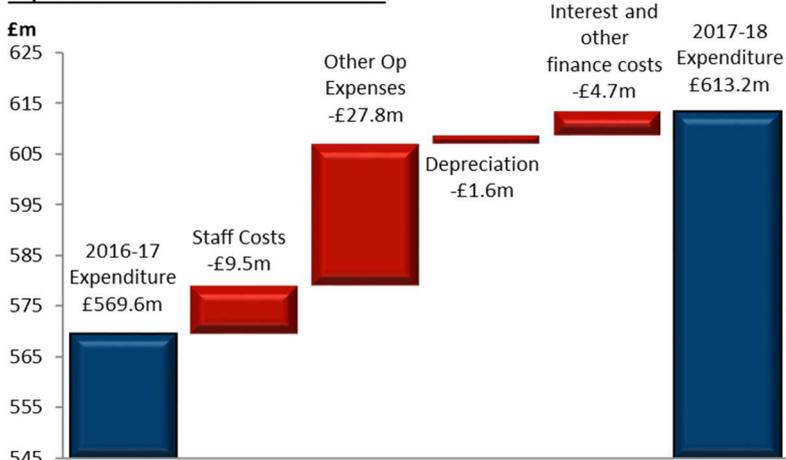
Expenditure

Total expenditure increased by £43.6m or 7.7%.

The main movements are as follows:

- Total staff costs increased by £9.5m or 2.9% in 2017-18 (2016-17 increase of £28.4m or 9.6%). Underlying staff costs increased by £14.8m or 4.4% due to increased staff numbers of 1.5%, annual salary increases, and increased social security and pension costs. The year on year movement in FRS 102 adjustments for unpaid holiday pay and Universities Superannuation Scheme (USS) provision was a decrease in expenditure of £5.3m primarily as a result of the unwinding of the USS deficit reduction provision;
- Other operating expenses increased by £27.8m or 13.3%. The largest increases were demolition costs of £10.9m in relation to the campus development plan and £8.5m in academic departments, mainly driven by increased student numbers; and
- Interest and other finance costs increased by £4.7m due to a full year of interest charges on the 2017 private placement funding in 2017-18.

Expenditure- Year on Year movement



increased by £37.1m, £2.1m due to investment returns and £35.0m transferred from cash and cash equivalents. The five year funds history is shown below, with the 2016-17 balance increasing as a result of borrowing £175m for the campus redevelopment programme.

The main cash inflow shown in the cash flow statement in 2017-18 was from operating activities +£42.0m offset by investing activities of -£59.9m and financing activities of -£6.5m. The net inflow from operating activities represents the operating surplus of £31.8m and an increase of £24.5m related to a rise in non-cash adjustments, primarily due to depreciation.

The main cash outflows were capital expenditure of £41.9m and the transfer of £35.0m into investment funds. Financing activities of £6.5m predominantly represents the interest paid on the private placement funding.

Capital commitments increased by £75.3m in the year to £278.5m at the balance sheet date, primarily related to

the Research Hub associated with the campus development programme.

Investment performance

In the past financial year, the value of global stock markets has risen. The value of endowment asset investments increased from £183.9m to £200.6m with new endowment bequests received during the year increasing from £1.2m to £1.4m.

The increase in the market value of the endowment funds was £10.9m in the year compared with £13.0m in 2016-17. The performance of the fund managers continues to be monitored by the Investment Advisory Committee against targets set by the committee. These targets are reviewed regularly.

The University increased its holdings in investment funds by £35.0m and this along with a return of £2.1m results in final position of £212.5m at year end (2016-17: £175.5m). These funds will be drawn down when required for the campus development programme.

The performance of these funds and amount invested is monitored by an investment committee with regular reporting to Finance Committee.

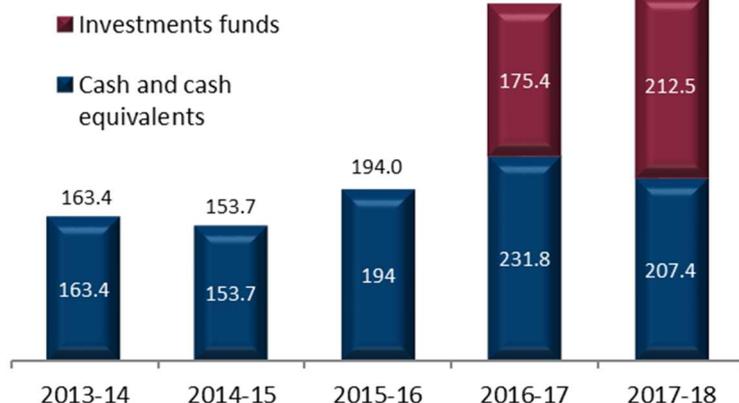
Available funds and cash flow

Available funds increased by £12.7m or 3.1% from 31 July 2017. This was due to a positive return of £2.1m on the investment funds and £10.6m of net cash inflow due primarily to the strong surplus, offset by capital spend.

Cash and cash equivalents decreased in the year by £24.4m to a closing balance of £207.4m at 31 July 2018 primarily as a result of transferring £35.0m into investment funds. Excluding this transfer cash and cash equivalents increased by £10.6m noted above. Investment funds

£m - Available funds

Five Year History



Pension liability

The FRS 102 pension liability for the University of Glasgow Pension Scheme (UGPS) and the Strathclyde Pension Fund (SPF) has decreased in the year from £62.1m to £34.2m. The liability decreased primarily due to an increase in the discount rate assumption which resulted in lower liabilities and an actuarial gain recorded in other comprehensive income of £34.3m. Under FRS 102 the University records the present value of its deficit recovery commitments for the Universities Superannuation Scheme USS. During the year this provision decreased from £54.8m to £52.3m.

OPERATING AND FINANCIAL REVIEW (continued)

Summary

The University has made good progress in recent years towards the achievement of its strategic ambitions. The campus development is a major area of focus and this will continue in future years. The University has built cash reserves and holdings in investment funds to fund the development which will start to reduce as the level of building work increases.

The University saw a decrease in funding body grants in the year related to the infrastructure grant but there was a significant increase in overseas student income which led to another year of strong operating performance. There was a significant decrease in the UGPS pension deficit due to increases in the discount rate assumptions which significantly increased total comprehensive income for the year. The external environment, the uncertainties surrounding the Universities Superannuation Scheme and the uncertainties surrounding the post-Brexit settlement continue to pose significant challenges.

However, the University is currently in a strong financial position. This, coupled with the capacity, and continuing ability, to recruit additional international and postgraduate students saw the University deliver a strong surplus in 2017-18.

The University's Senior Management Group assesses the strategic risks that the University faces at each monthly management meeting and identifies and executes appropriate mitigating plans. Court continues to emphasise that strong financial management is essential and that this should be achieved whilst ensuring that progress is made towards the aspirations set out in the University's 2015 – 2020 strategy, Inspiring People – Changing the World.

CAMPUS DEVELOPMENT

During 2015-16, the University officially took vacant possession of the former Western Infirmary site that borders the existing campus. This is an unprecedented development opportunity for an urban university, offering the potential to expand the footprint of our main estate by almost a third and create a visionary and inspiring campus for future generations.

Overview

The Western Site will be the core focus of a £530m building programme as part of the campus development masterplan; an ambitious but achievable programme of capital development that will be managed through a carefully balanced spending profile comprising future cash generation, disposals, existing reserves, and a major donor fundraising campaign that is yet to launch. The University has borrowed funds at low interest rates in order to have funds available to meet the needs of the campus development.

The development will expand the Gilmorehill campus by 14 acres, developing an open accessible campus that will provide quality learning, research and community spaces. The capital plan was approved by Court in December 2016, the Campus Masterplan and Learning and Teaching Hub (now named James McCune Smith Hub) was granted planning permission in February 2017.

Since December 2016, Court has approved in excess of £333m of business cases and projects in respect of the delivery of the major campus development.

The Research Hub



The Research Hub will be the second building to be constructed, and the first new permanent building to be built on the former Western Infirmary site – the Western campus.

James McCune Smith Hub



The James McCune Smith Hub will be the first major project in the University's development plan and will increase teaching capacity and student study space, while 24 hour access to the building enhances learning experience.

The new building is named after James McCune Smith - the first African American to be awarded a medical degree, receiving an MD from the University of Glasgow in 1837.

The site will eventually provide space to enable the entire academic estate to be reconfigured for academic activity, thus improving the student experience, research performance and staff satisfaction. Consultation has taken place with a wide range of stakeholders to ensure that the extended Gilmorehill campus will enable the University to continue to deliver against its strategic priorities. It is also important that, whilst the development of the campus is being planned, investment is maintained in order to ensure that current business can continue.

Multiplex, the main contractor for the site, was appointed during 2016-17 and work has begun to demolish buildings on the site allowing for the construction of new fit-for-purpose teaching, learning and research buildings. The first of these new buildings is currently under construction, a £90m Learning and Teaching Hub, called the James McCune Smith Hub. The building is expected to have a phased opening during the academic year 2019-2020. The University is seizing the opportunity to not only build new facilities but also develop a new service model for student and facilities services.

The University also has campus space at Garscube, in the north of Glasgow, and Dumfries, and facilities at the Queen Elizabeth Hospital, in particular the recently completed Imaging Centre of Excellence which supports innovation in precision medicine.

Progress

The structure of the James McCune Smith Hub is progressing, all concrete cores are completed and the steel frame is under construction. The demolition of the large buildings on the Western Infirmary site has been completed and clearing of the site has commenced

Plans for 2018-19

Looking forward to 2018-19 the focus will continue to be on the completion of the James McCune Smith Hub, the conclusion of enabling works on the Western Infirmary site and the commencement of construction of the Research Hub.

Innovation District

The investment the University is making into the west end of Glasgow has been recognised as delivering more than just new buildings. During 2016-17 the University worked with the City Council and Scottish Enterprise to develop proposals for the West End and Waterfront Innovation District and signed a memorandum of understanding in relation to this development. The district will build on the investment at the Queen Elizabeth University Hospital, the Scottish Events Campus and the cultural quarter. This will enable the University to develop a thriving ecosystem supporting innovation, enterprise and economic growth. The University intends to invest directly into the development of an Innovation Zone on Church Street as part of the campus development.

Projects to date

- James McCune Smith Hub which will provide new teaching and learning facilities
- The Research Hub
- Institute of Health and Wellbeing
- Adam Smith Business School and new investment in PGT space
- Cultural and Creative Arts
- Improvements to fabric and services in the Boyd Orr
- Data Centre
- Improvements to existing teaching space
- Improvements in the research environment
- Investment in new innovation space for student enterprise
- Joseph Black structural improvements
- Continued investment in the existing estate

Projects in the future

- Engineering teaching and research
- Chronic Diseases
- Innovation Zone on Church Street
- Quantic and James Watt Nano fabrication
- Ongoing investment in the existing estate for teaching, research and innovation
- Support student scholarships

FUTURE DEVELOPMENTS AND PRINCIPAL RISKS AND UNCERTAINTIES

International student growth

The University continues to grow its student numbers in a controlled and sustainable manner, carefully balancing income generation targets against estate capacity and the need to protect the quality of the student experience. The University's international student population grew by 11% in 2017-18, a significant rise that puts the University on course to hit its 2020 KPI target earlier than anticipated.

Growth in the University's income in recent years has depended upon double-digit growth in the number of students recruited from outside the EU. Maintaining this growth against the backdrop of the twin threats of increased competition in the global higher education sector and the UK's decision to withdraw from the European Union (Brexit), with its accompanying uncertainties surrounding the future immigration regime for students, is a significant risk. Early data shows further strong international growth in 2018-19.

Brexit

Brexit adds uncertainty to the University's operations with respect to the impact on our ability to recruit talented international staff, and the UK Higher Education sector's eligibility for access to European research funding and other EU funding streams. The situation is further complicated by the attendant risk of a second referendum on Scottish independence as a result of the outcome of the ongoing Brexit negotiations. However, the University is proactively responding to the developing political landscape through dedicated information events for staff and ongoing engagement with both the Scottish and UK Governments.

Research risks

In 2016, the UK Government published an independent report proposing alterations to the REF – the Stern review. The review made a number of recommendations to alter the original REF operational model, which would have a broad impact across the UK HE sector; these recommendations formed the basis of a recent consultation exercise by the UK's four HE funding bodies. The University and its Russell Group peers were broadly supportive of the Stern review's recommendations, and University staff are working with colleagues from across the sector to ensure that the potential benefits of the reforms for the University's research reputation are carried through.

Pay and pensions

Rising staffing costs continue to cause significant pressure due to cost of living and incremental pay increases outstripping income increases from the

Scottish Funding Council. Deficits to the University's UGPS and USS pension schemes also remain volatile.

On 26 October 2018, the High Court released its judgement in relation to a case concerning the equalisation of Guaranteed Minimum Pension (GMP). It is still uncertain what impact this judgement will have on the University.

In accordance with the requirements of the SORP, the University currently recognises a provision for its obligation to fund past deficits arising within the Universities Superannuation Scheme (USS). The recovery plan in the 2014 actuarial valuation requires employers to contribute 2.1% of salaries towards repairing the deficit over a period of 17 years, of which 14 years remain. Details of this provision, which has been discounted at a rate of 2.21% as at 31 July 2018, are included in note 24 to the financial statements.

As the 2017 valuation has not been formally completed, and there remains various stages of consultation around the key factors specifically relating to the funding of the past deficit, including the level of contributions required, the period of the recovery plan and the level of asset performance over the period, it remains appropriate to continue to account for the past deficit obligation in accordance with the plan agreed after the 2014 actuarial valuation.

However, there is a significant risk that the year-end provision as calculated will not reflect the position following the final outcome of negotiations, potentially by a very significant amount depending upon what is finally agreed as regards future deficit contributions and their duration. The University expects to have greater clarity in this respect during the next financial year.

Based on the inputs to the model used to calculate the USS provision, the following sensitivity analysis outlines the potential impact on the existing University liability of £52m (assuming the same discount rate of 2.21%):

- The impact of a 1% increase in the deficit contribution rate to 3.1% would increase the University's USS liability to £77m, this assumes a duration of 13 years;
- The impact of an increase of 3.9% in the deficit contribution rate to 6% would increase the University's USS liability to £149m, this assumes a duration of 13 years;
- The impact of an increase of 3.9% to 6% and a duration of 14 years for the deficit repayment would

increase the University's USS liability to £162m;

- The impact of an increase of 3.9% to 6% and a duration of 17 years for the deficit repayment would increase the University's USS liability to £201m; and
- The impact of an increase of 3.9% to 6% and a duration of 20 years for the deficit repayment would increase the University's USS liability to £242m.

Campus development

While the campus redevelopment offers an unprecedented opportunity to expand and develop the University estate it also requires careful management to ensure timely delivery and that costs remain within budget. There are risks that projects are delayed and construction costs increase due to inflation and/or due to changes in the scope or specification of buildings. The University has an established governance structure which oversees the programme and monitors these risks.

UNIVERSITY POLICIES

Creditor policy

The University aims to pay all of its suppliers promptly. The terms of payment of the University are 30 days from the date of invoice but specific terms and conditions can be agreed for certain suppliers if required. As at 31 July 2018 the University's outstanding payments represented approximately 8 days' purchases. This is a decrease from 9 days in 2017. The University has no matters to disclose under the Late Payment of Commercial Debts (Interest) Act 1998.

Treasury management

The financing and liquidity of the University and its exposure to financial risk is overseen by Court through the Finance Committee. Each year, as part of the financial budgeting process, three year rolling forecasts are prepared which consider the likely cash position of the University given the assumed operational movements and planned investment in property, plant and equipment and working capital. This enables the Finance Committee to consider any future borrowing requirements in a timely manner.

The University invests in funds to diversify its risk and the level of investment in these funds and fund performance is overseen by a separate investment committee. The University's remaining non-endowment cash balances are primarily held in the form of interest bearing deposits with financial institutions.

In accordance with University policy the non-endowment cash balances of the University can be invested in temporary cash deposits with the major clearing banks, building societies and money market funds up to a maximum of thirty five million pounds with any one institution, or higher with specific approval from Finance Committee. The institution must be rated at a minimum of BBB+ (as per Standard and Poor's long term rate) with money market funds at a minimum of A+ rated. The length of deposit is a maximum of ninety five days. The University is exposed to changing interest rates, although the exposure is viewed as low given that interest income accounts for less than 0.1% of the total income of the University in 2017-18.

Accounting policies

The University's financial statements have been prepared in accordance with the Statement of Principal Accounting Policies as set out on pages 18 to 20.

The format of the financial statements reflects the format as required by the 2015 SORP. The notes to the financial statements reflect best practice guidance given by the British Universities Finance Directors' Group and also any requirements issued by the Scottish

Funding Council in its annual accounts instructions. Where a prior year restatement is required, this is disclosed within the Statement of Principal Accounting Policies.

Disability policy

The University is committed to the implementation of a policy to achieve equality of opportunity for students, members of staff, potential students, potential members of staff and lay members of Court and other governance committees, and to meeting the requirements of all relevant external legislation.

To enable the University to fulfil its mission statement the aim is to build an inclusive and supportive environment which meets the needs of all staff, students and visitors to the University. The Disability Policy provides a framework for promoting disability equality with the aim of identifying and removing any barriers which exist for disabled people using the University's facilities, and enabling them to access as fully as possible all education, employment, social and leisure opportunities.

Equality and diversity policy

The University is committed to ensuring that the creativity, innovation and talents of its people are fully utilised. The University community is made up of a wide range of people with diverse backgrounds and circumstances, which is valued and regarded as a great asset.

The University has developed a policy that aims to challenge discrimination, promote and implement equality measures, progress social justice and to strive to ensure that no one is disadvantaged. The policy also looks to ensure that the University complies with all current and relevant anti-discrimination legislation. By adopting this policy the University accepts its responsibility to ensure that discrimination does not take place and that everyone in the University is treated equally and fairly.

Ethical investment policy

It is the role of Court to set out the ethical platform on which the University's asset investments are managed. The University's approach is set out in the Socially Responsible Investment Policy which was approved by Court in October 2009. Court requires its investment managers to commit to socially responsible investment within their investment policies.

In addition, it prohibits direct investment in the tobacco industry, as such investment would run counter to the University's direct interest in research. Court has committed to a phased reduction in the University's direct

investment in the fossil fuel extraction industry. The first phase of that disinvestment strategy was implemented which means that, by July 2019, the value of the investments held in fossil fuel extraction will be no more than 6.4% of the University's total endowment investment.

Tax strategy

The University is committed to transparent reporting and has recently published its tax strategy for 2018-19 on the University's website. The document addresses the University's approach to risk management and governance, the University's attitude towards tax planning and the University's approach towards its dealings with HM Revenue & Customs (HMRC). For further information relating to the University's tax strategy, see website www.gla.ac.uk.

Professor Anton Muscatelli
Principal

Graeme Bissett
Convener of Finance Committee

Robert Fraser
Director of Finance

CORPORATE GOVERNANCE STATEMENT

The University Court of the University of Glasgow (Court) is committed to exhibiting best practice in all aspects of corporate governance relevant to the higher education sector. This summary describes the manner in which Court has applied the principles of the Turnbull Committee guidance on internal control as amended by the British Universities Finance Directors Group in its 2006 guidance, of the Scottish Code of Good HE Governance, as issued by the Committee of Scottish Chairs in July 2013, and of the Annual Accounts direction as issued by the Scottish Funding Council. Its purpose is to help the reader of the reports and financial statements understand how the principles have been applied.

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

In the opinion of the Governing Body, the University complies with the 2013 Scottish Code of Good Higher Education Governance and with the large majority of recommendations in the 2017 Code. Areas of the 2017 Code where there remains non-compliance are:

- The Institution is expected to publish rules and procedures for the election of Senior Lay members on its website, along with the membership of the committee managing this process;
- Each governing body must set out the agreement on the Rectors role clearly in a protocol, the content of which should be published and made clear to candidates for the posts of Rector and Senior Lay Member and reflected in the job descriptions for these posts; and
- The membership of the nominations committee should have a lay member majority.

The University is taking action to address these and expects to be fully compliant in the timeframe required by the Act, with the exception of the lay member majority on the nominations committee. The Court believes the current composition meets the University's needs with regard to the role of the Committee.

University governance

Much of the University's modern constitutional framework derives from the Universities (Scotland) Act 1966, which updated and expanded on the Universities (Scotland) Acts 1858 to

1932. The University also complies with the Post-16 Education (Scotland) Act 2013 and the Higher Education Governance (Scotland) Act 2016. These Acts make provision for the three main statutory bodies in the governance of the University – Court, the Senate and the General Council.

Court

The University's governing body is Court. Its powers have been defined over a number of years, commencing in 1858, when Court was first established, and are set out in a series of Acts of Parliament, the Universities (Scotland) Acts 1858-1966. These Acts are supplemented by sections of other Acts and certain Ordinances, promulgated by the University and approved by the Monarch in Council. Ordinances have been enacted to extend the powers available to Court, or to clarify the powers which are not explicit in the Acts.

Court has ultimate responsibility for the deployment of resources in the University, and for the strategic plans of the institution. It does not normally generate proposals, but receives them from other bodies within the University - most notably the Senate and the Senior Management Group. It also has a monitoring role in relation to the overall performance of the University, and it holds the Principal to account for the effective and efficient management of the University. Working with the Senate, Court is responsible for the well-being of students and for the reputation of the University. It is also responsible for the well-being of staff. The Court Statement of Primary Responsibilities is published at https://www.gla.ac.uk/media/media_572263_en.pdf.

Court has 25 members and, in the financial year 2017-18, consisted of: the Rector (who is elected by the students of the University), the Principal, the Chancellor's Assessor, a representative of Glasgow City Council, two assessors elected by the General Council, six assessors elected by Senate, two employee representatives, the President of the Students' Representative Council, one assessor elected by the Students' Representative Council, and nine independent members appointed by Court, one of whom is appointed Convener of Court. During 2017-18 the Convener of Court was Elizabeth Passey, who was appointed for four years from 2016, following public advertisement. Also during 2017-18, Court made a decision to remunerate the role of Convener of Court, as permitted by the Higher Education (Scotland) Governance Act of 2016. All members of Court are entitled to claim expenses incurred in the course of their duties.

The current size of Court and its composition, as described in the

Membership of Court, maintains a coherent and effectively functioning governing body, including an appropriate range of skills and experience. With regard to statutory requirements relating to membership, the Court currently complies with its existing Ordinance on membership, but during 2018-19 it will be amending membership to align with the requirements of The Higher Education Governance (Scotland) Act 2016, within the timeframes required in the Act.

Court conducts much of its business through eight committees, each having formally constituted terms of reference. Committees report to Court through their Chair, who - with one exception (the Health, Safety & Wellbeing Committee) - is an independent member of Court. The Committees have each been required by Court to appoint a Vice-Chair, and Court itself has also appointed a Vice-Convener, who is an independent member of Court (Graeme Bissett). Court meets five times per year.

The **Finance Committee** monitors the financial performance of the University and its associated legal entities. It considers financial policies and issues and makes recommendations to Court on these matters and with regard to the importance of financial sustainability. It also considers the reports and financial statements and revenue/capital budgets of the University and its associated legal entities and makes recommendations to Court thereon. During the year to 31 July 2018, the Committee was chaired by Graeme Bissett, an independent member of Court. The Vice-Chair was Elspeth Orcharton, an independent member of Court. The Committee normally meets five times a year.

The **Audit & Risk Committee** oversees the arrangements for external and internal audit of the University's financial and management systems and of activities and processes related to these systems. The Committee normally meets four times a year, with the University's external and internal auditors in attendance. Heather Cousins, an independent member of Court, chaired the Committee in the year to 31 July 2018. The Vice-Chair was Simon Bishop, an external independent member who is not a member of Court.

The **Nominations Committee** makes recommendations to Court on the appointment of independent members to Court and on the appointment of the chair and members of Court Committees, having regard to the skills and experience required. The University provides induction training for all new members of Court and its Committees. The training covers Higher Education in Scotland, University Governance, University Strategy and Financial Management.

CORPORATE GOVERNANCE STATEMENT

(continued)

The Committee was chaired by Elizabeth Passey, the Convener of Court, and the Vice-Chair, appointed during 2017-18, was Lesley Sutherland, a General Council Assessor on Court. The committee normally meets one or two times a year.

The **Remuneration Committee** makes recommendations to Court on the process of determining salary awards for senior staff and determines the Principal's remuneration in the absence of the Principal, who is not a member of the Committee but attends for items relating to senior management remuneration other than his own. The Committee's remit also covers the remuneration of the Convener of Court. The Convener of Court is also a member of the Remuneration Committee and also leaves the meeting while Convener remuneration is discussed. Details of the remuneration of senior post-holders for the year ended 31 July 2018 are set out in note 7 to the financial statements. During the year to 31 July 2018, the Committee was chaired by June Milligan, an independent member of Court. Ronnie Mercer, the Chancellor's Assessor, is the Vice-Chair. The Committee meets at least once a year.

As the University's Chief Executive Officer, the Principal has formal and wide-ranging responsibilities for the strategic leadership and direction of the University. The Principal is a member of Court and Convener of Senate. The Principal leads the Senior Management Group, which also includes the Senior Vice Principal & Deputy Vice Chancellor, Vice-Principals (9 in total), Chief Operating Officer & University Secretary, the Director of Finance and the Director of HR.

The remuneration and terms and conditions of the Principal & Vice Chancellor are determined by members of the Remuneration Committee. The Principal is not a member of the Committee but attends for items relating to senior management remuneration other than his own.

The Remuneration Committee's review of the Principal's salary is informed by:

- the annual P&DR discussion conducted by the Convener of Court, reflecting feedback from staff, students, members of Court and the senior executive and informed by a 360° appraisal process;
- individual and collective SMG performance in advancing the University's strategic objectives; and
- the need to provide tangible reward for excellent performance and a

competitive remuneration package that is consistent with robust benchmark data and reflective of equivalent positions within comparable Russell Group/major UK universities.

The remit of the Remuneration Committee also includes responsibility to determine the salaries of the Principal and other members of Senior Management Group, having regard to:

- their performance in advancing the University's strategic objectives;
- the need to offer salaries that are competitive with those of other major UK universities, as reflected in robust comparative data; and
- the budget approved by Court.

There is also an annual evaluation process of the performance of the Convener of Court. This is led by the Chancellor's Assessor.

The **Human Resources Committee** reviews the University's HR Strategy and, through agreed performance indicators, monitors its relevance, implementation and effectiveness; ensures that the strategy is consistent with and supports the University's mission, vision and values; monitors compliance with the legal and regulatory framework for HR and ensures the adoption of best practice; acts as a sounding board for the University's executive officers and HR function, providing advice, from a breadth of perspectives, on human resource management issues; and ensures that the University's senior management demonstrate the importance of HR to the institution by providing support and leadership to all staff. During the period of the financial statements 2017-18, the Committee was chaired by an independent member of Court, June Milligan. The Vice-Chair was Rob Goward, an external independent member who is not a member of Court. The Committee normally meets five times a year.

The **Estates Committee** develops and maintains strategic estate plans for consideration by Court taking into account academic need, resource implications and the importance of environmental sustainability. The Committee was chaired by the Chancellor's Assessor, Ronnie Mercer. The Vice-Chair was David Milloy, an independent member of Court. The Committee normally meets five times a year.

The **Health, Safety and Wellbeing Committee** provides a forum within which consultation and discussion may take place between representatives of University management and representatives of staff and students on health, safety and wellbeing matters. The Committee will also make representations and recommendations to Court as required. The Committee was chaired by the Chief Operating Officer and University Secretary, David Duncan. The Vice-Chair was Richard Cloughton, Deputy Director of Human Resources. The Committee normally meets four times a year.

The **Student Experience Committee**, a joint committee of Court and Senate, was created during 2017-18. It was co-chaired by the Chief Operating Officer and University Secretary, and the President of the SRC. Its remit includes: agreeing and overseeing implementation of a common strategy, plans and policies for non-academic aspects of student life; ensuring that every student has the opportunity to enjoy and derive value from their university experience; ensuring that the University's provision for the student experience reflects the diversity of needs within the student population; and reviewing and monitoring the effectiveness of services and determining their priorities. The Committee meets at least five times a year.

In respect of its strategic and development responsibilities, Court receives recommendations and advice from the **Senior Management Group**. The Heads of College, Vice Principals and other senior officers are members of the Senior Management Group which is convened by the Principal. The Principal briefs each meeting of Court on significant matters and reports on issues considered by the Senior Management Group.

The Senate

The Senate is the senior academic body of the University and subject to the powers of the Court, is responsible for the academic activity of the University and the maintenance of academic standards. Senate has over 500 members drawn principally from the University's academic staff. Senate has delegated authority to a Council of Senate to expedite business on its behalf. The Council of Senate is chaired by the Principal and meets five times per year. The future composition of Senate will be affected by the terms of the Higher Education Governance (Scotland) Act 2016.

CORPORATE GOVERNANCE STATEMENT (continued)

The General Council

The General Council comprises the graduates of the University. It has a statutory right to comment on matters which affect the well-being and prosperity of the University. It meets twice a year and is chaired by the Chancellor.

Statement of internal control

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

The Senior Management Group

receives reports setting out key performance and risk indicators and considers possible control issues brought to their attention by early warning mechanisms. A key control is the Principal's Budget Briefing which takes place in May of each year. This meeting is attended by the Heads of College. The Budget Briefing provides a forum for the Principal and the Heads of College to discuss the key strategic issues within each College. These meetings are also attended by the Senior Vice-Principal and senior staff from the Finance Office.

The **Audit & Risk Committee's** role in this area is confined to a high-level review of the arrangements for internal control.

The University's internal auditors monitor the systems of internal control, risk management controls and governance processes in accordance with an agreed plan and report their findings to management and the Audit & Risk 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 & Risk Committee considers summarised reports together with recommendations for the improvement of the University's systems of internal control and management's responses and implementation plans.

Whilst senior executives attend meetings of the Audit & Risk Committee as necessary, they are not members of the Committee and the Committee meets the internal and external auditors on their own for independent discussions. Court receives regular reports from the Audit & Risk Committee, including reports relating to the University's risk register. On an annual basis, the Court also reviews the University's risk register.

Court is of a view that there is an ongoing process for identifying, evaluating and managing the University's significant risks, and that it has been in place throughout the year ended 31 July 2018 and up to the date of approval of the annual reports and financial statements.

General data protection regulation

The University put in place actions to ensure compliance with the General Data Protection Regulation, which was introduced in May 2018.

Modern Slavery Act statement

The University is committed to ensuring and actively monitoring that modern slavery and human trafficking is not taking place in any parts of its operation within the University and its supply chain. For further information relating to the Modern Slavery Act statement, see website www.gla.ac.uk.

Going concern

The University's principal operations, together with the factors likely to affect its future development and its financial position are noted in the Operating and Financial Review, Campus Development, Future Developments and Principal Risks and Uncertainties and University Policies sections. The University has considerable financial resources and access to funding. As a consequence, Court believes that the University is well placed to manage its business risks successfully despite the current uncertain economic outlook. After making enquiries, Court has a reasonable expectation that the University and the group have adequate resources to continue in operational existence for a period of at least 12 months from the approval of these financial statements. Accordingly, they continue to adopt the going concern basis in preparing the annual report and accounts.

Elizabeth Passey
Convener of Court
Date: 12 December 2018

STATEMENT OF RESPONSIBILITIES OF COURT

The University Court of the University of Glasgow (Court) is responsible for the administration and management of the affairs of the University. Amongst its duties, which are summarised in a formal Statement of Primary Responsibilities, Court is required to present audited financial statements for each financial year.

Court is responsible for keeping proper accounting records 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 all relevant Acts of Parliament, with the Statement of Recommended Practice on Accounting for Further and Higher Education issued in 2015, and with other relevant accounting standards (United Kingdom Generally Accepted Accounting Practice, Financial Reporting Standard 102). In addition, within the terms and conditions of a Financial Memorandum agreed with the Scottish Funding Council for Further and Higher Education (Scottish Funding Council), Court, through its designated office holder, is required to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the University and of the surplus or deficit and cash flows for that year.

In causing the financial statements to be prepared, Court has to ensure that suitable accounting policies are selected and applied consistently, judgements 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 that the financial statements are prepared on the going concern basis unless it is inappropriate to assume that the University will continue in operation. Court is satisfied that it has adequate resources to continue in operation for the foreseeable future: for this reason, the going concern basis continues to be adopted in the preparation of the financial statements.

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 Financial Memorandum of the Scottish Funding Council and any other conditions which the Scottish Funding Council may from time to time prescribe. Court also has a responsibility to ensure that there are appropriate financial and management controls in place to safeguard public funds and funds from other sources; safeguard the assets of the University; take reasonable steps to prevent and detect fraud and to ensure that reasonable steps have been taken to secure the economic, efficient and

effective management of the University's resources and expenditure.

The key elements in the University's system of internal financial control, which is designed to discharge the responsibilities set out above, include:

- clear definitions of the responsibilities of, and the authority delegated to, heads of academic and administrative departments;
- a comprehensive medium and short-term planning process, supplemented by detailed annual income, expenditure, capital and cash flow budgets and regular reviews of academic performance and quarterly reviews of financial results and forecast outturns;
- clearly defined and formalised requirements for approval and control of expenditure, with investment decisions involving capital or revenue expenditure being subject to formal detailed appraisal and review according to approval levels set by Court;
- comprehensive Financial Regulations detailing financial controls and procedures; and
- an Internal Audit service, the annual programme of which is approved by the Audit & Risk Committee.

The Audit & Risk Committee, on behalf of Court, has reviewed the effectiveness of the system of internal control. Such a system is designed to manage rather than eliminate the risk of failure to achieve business objectives and can only provide reasonable and not absolute assurance against material misstatement or loss. Court is satisfied that there is an ongoing process for identifying, evaluating and managing the University's significant risks that has been in place for the year ended 31 July 2018 and for the period to the date of the approval of the reports and financial statements. This process accords with the internal control guidance as applicable to the higher education sector.

The members of Court who hold office at the date of approval of this report confirm that, so far as they are each aware, there is no relevant audit information of which the University auditor is unaware; and each member of Court has taken all the steps that he or she ought to have taken to be aware of any relevant audit information and to establish that the University's auditors are aware of that information.

David Duncan
Chief Operating Officer and
University Secretary

On behalf of Court
Date: 12 December 2018

MEMBERSHIP OF COURT

Members of Court who served during the year to 31 July 2018 are detailed below, as are members who served up to the date of approval of the reports and financial statements. Also shown is an indication of the Committees on which the members served, the expiry date of their current term of office and whether they are independent members of Court.

	Expiry date	Committee membership	Independent member	Attendance at court meetings during the financial year
The Rector				
Mr Aamer Anwar	Mar 2020			4/5
The Principal and Vice-Chancellor				
Professor Sir Anton Muscatelli	Sep 2024	(FC) (HRC) (EC) (NC)		5/5
The Chancellor's Assessor				
Mr Murdoch MacLennan	Dec 2017	(NC)	*	1/2
Mr Ronnie Mercer (from Jan 2018)	Oct 2019	(EC) (RC) (NC)		3/3
Assessor of City of Glasgow Council				
Councillor Susan Aitken	May 2020		*	3/5
General Council Assessors				
Dr Morag Macdonald Simpson	Jul 2022	(HRC) (SEC)	*	4/5
Ms Lesley Sutherland	Jul 2022	(ARC) (NC)	*	5/5
Senate Assessors				
Professor Lindsay Farmer	Jul 2019	(EC) (ARC) (SEC)		5/5
Professor Carl Goodyear	Jul 2022	(HRC) (NC)		5/5
Professor Nick Hill	Jul 2019	(FC)		4/5
Dr Simon Kennedy	Jul 2021	(FC)		3/5
Professor Kirsteen McCue	Jul 2021	(HRC)		5/5
Dr Bethan Wood (from Sep 2017)	Jul 2021	(EC)		5/5
Employee Representatives				
Mr David Anderson	Jul 2019	(RC)		4/5
Ms Margaret Anne McParland	Jul 2019	(HRC) (NC)		4/5
Co-opted Members of Court				
Mr Graeme Bissett	Dec 2021	(FC)	*	5/5
Ms Heather Cousins	Mar 2022	(ARC) (NC)	*	5/5
Mr David Finlayson (from Oct 2017)	Oct 2021	(SEC)	*	4/4
Mr Ronnie Mercer (to Dec 2017 then Chancellor's Assessor)	Oct 2019	(EC) (RC)	*	2/2
Dr June Milligan	Oct 2019	(HRC) (RC)	*	5/5
Mr David Milloy	Dec 2021	(EC)	*	4/5
Ms Elspeth Orcharton	Oct 2020	(FC)	*	5/5
Ms Elizabeth Passey**	Jul 2020**	(FC) (RC) (NC)	*	5/5
Mr Gavin Stewart	Mar 2021	(FC)	*	5/5
Dr Ken Sutherland (from Dec 2017)	Dec 2021		*	2/3
President of the Students' Representative Council				
Ms Kate Powell	Jun 2018	(FC) (EC) (NC) (SEC)		5/5
Ms Lauren McDougall (from Jul 2018)	Jun 2019	(FC) (EC) (NC) (SEC)		0/0

MEMBERSHIP OF COURT (continued)

	Expiry date	Committee membership	Independent member	Attendance at court meetings during the financial year
Assessor of the Students' Representative Council				
Ms Lauren McDougall	Oct 2017			1/1
Mr Elliot Napier (from Oct 2017)	Oct 2019			3/4
University Secretary				
Dr David Duncan***		(EC) (HRC) (NC) (HSWC) (SEC)		5/5

The Committees of Court, as identified in the Corporate Governance statement are:
Finance Committee (FC); Estates Committee (EC); Human Resources Committee (HRC); Audit & Risk Committee (ARC); Remuneration Committee (RC); Nominations Committee (NC); Health, Safety and Wellbeing Committee (HSWC) and Student Experience Committee (SEC).

**Ms Elizabeth Passey is also Convener of Court, an appointment that will run until July 2020.

*** Dr David Duncan is not a member of Court but attends in his capacity as University Secretary.

INDEPENDENT AUDITOR'S REPORT TO THE UNIVERSITY COURT OF THE UNIVERSITY OF GLASGOW

Opinion

We have audited the financial statements of The University of Glasgow ('the parent institution') and its subsidiaries (the 'group') for the year ended 31 July 2018 which comprise Statement of Principal Accounting Policies, Consolidated and University Statement of Comprehensive Income and Expenditure, Consolidated and University Statement of Changes in Equity, Consolidated and University Balance Sheets, the Consolidated Cash Flow Statement and the related notes 1 to 24. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the group's and of the parent institution's state of affairs as at 31 July 2018 and of the group and parent institution's income and expenditure, recognised gains and losses, and statement of cash flow for the year for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice;
- have been properly prepared in accordance with the Statement of Recommended Practice: Accounting for Further and Higher Education, and relevant legislation; and
- have been prepared in accordance with the requirements of the Charities and Trustee Investment (Scotland) Act 2005 and regulation 14 of the Charities Accounts (Scotland) Regulations 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report below. We are independent of the group and parent institution in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the University Court's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the University Court has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the group's or the parent institution's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The other information comprises the information included in the annual report set out on pages 2-15, other than the financial statements and our auditor's report thereon. The University Court is responsible for the other information.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

Opinion on other matters prescribed by the Scottish Funding Council's Financial Memorandum with Higher Education Institutions

In our opinion, in all material respects:

- the requirements of the Scottish Funding Council's accounts direction have been met;
- funds from whatever source administered by the institution for specific purposes have been applied properly 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 Scottish Funding Council have been applied in accordance with the requirements of the Scottish Funding Council Financial Memorandum with Higher Education Institutions.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Charity Accounts (Scotland) Regulations 2006 (as amended) requires us to report to you if, in our opinion:

- the information given in the Operating and Financial Review, Campus Development, Future Developments and Principal Risks and Uncertainties and University Policies is inconsistent in any material respect with the financial statements; or
- proper accounting records have not been kept; or
- the parent institution 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.

INDEPENDENT AUDITOR'S REPORT TO THE UNIVERSITY COURT OF THE UNIVERSITY OF GLASGOW (continued)

Responsibilities of the University Court

As explained more fully in the Statement of Responsibilities of Court set out on page 13, the University Court is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the University Court determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the University Court is responsible for assessing the group's and the parent institution's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the University Court either intend to liquidate the group or the parent institution or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

We have been appointed as auditor under section 44(1)(c) of the Charities and Trustee Investment (Scotland) Act 2005 and report in accordance with the Acts and relevant regulations made or having effect thereunder

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

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

Use of our report

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

Ernst & Young LLP
Statutory auditor
Glasgow

Date: 13 December 2018

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

STATEMENT OF PRINCIPAL ACCOUNTING POLICIES

Statement of compliance

The University of Glasgow is a not-for-profit University operating in Scotland. The Registered Office is University Avenue, Glasgow G12 8QQ, Scotland, UK. The consolidated financial statements have been prepared in compliance with Financial Reporting Standard 102 (FRS 102) as it applies to the financial statements of the group for the year ended 31 July 2018.

Basis of preparation

The financial statements have been prepared under the historic cost convention, modified to include certain items at fair value in accordance with the applicable accounting standard FRS 102 and the Statement of Recommended Practice: Accounting for Further and Higher Education (SORP).

The University is a public benefit entity and has applied the relevant public benefit requirements of FRS 102. The financial statements also conform to guidance published by the Scottish Funding Council.

The financial statements are prepared in sterling which is the functional currency of the group and rounded to the nearest £000.

Basis of consolidation

The consolidated financial statements consolidate the financial statements of the University of Glasgow, its subsidiary companies and unincorporated undertakings for the financial year to 31 July 2018. Also consolidated are the results of the University of Glasgow Trust, an independent charity, set up to collect donations and disburse them for the benefit of the University. The consolidated financial statements do not include the income and expenditure of the University of Glasgow Students' Unions as the University does not exert control or dominant influence over them.

Income recognition

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

Tuition fee income is stated net of any discounts and is credited to the Income Statement over the period in which the students are studying. Bursaries and scholarships are accounted for gross as expenditure and are not netted from fee income.

Government grants including; funding body grants and research grants from government sources; are recognised within the Income Statement when the University is entitled to the income and performance related conditions have been met. Other grants and donations from non-government sources (including research

grants from non-government sources) are recognised within the Income Statement when the University is entitled to the income and performance related conditions have been met.

Income received in advance of performance related conditions is deferred on the balance sheet and released to the Income Statement in line with such conditions being met.

Capital grants are recognised in income when the University is entitled to the income subject to any performance related conditions being met.

Investment income and appreciation of endowments are recorded in income in the year in which they arise and as either restricted or unrestricted income according to the terms of the restriction applied to the individual endowment funds.

Property, plant & equipment

Property, Plant & Equipment (PPE) consists of plant and machinery and equipment (including software and vehicles) costing over £50k and capital building projects over £100k.

Costs incurred in relation to land and property after initial purchase or construction, and prior to valuation, are capitalised to the extent that they increase the expected future benefits to the University. Where parts of a fixed asset have different useful lives, they are accounted for as separate items of fixed assets.

Property, plant & equipment is stated at cost and depreciated on a straight line basis as follows:

Buildings	10-165 years
Plant & machinery	15-30 years
Equipment	Up to 10 years

Land and assets under construction are not depreciated.

Assets are assessed for indicators of impairment at each balance sheet date. If there is objective evidence of impairment, an impairment loss is recognised in the Income Statement. Assets are considered to be impaired if their recoverable value is less than book value. The recoverable amount of a PPE asset is the higher of its fair value less costs to sell and its value in use.

Where indicators exist for a decrease in impairment loss on assets, the prior impairment loss is reversed only to the extent that it does not lead to a revised carrying amount higher than if no impairment had been recognised.

Repairs and maintenance

Maintenance expenditure is recognised in the Income Statement in the period it is incurred. The University has a planned maintenance programme, which is reviewed on an annual basis.

Donated assets

The University receives benefits in kind such as gifts of equipment, works of art, and property. Items of a significant value donated to the University, which if purchased the University would treat as Property, Plant and Equipment, are capitalised at their current value and depreciated in accordance with the policy set out above. The value of the donations are included in the Income Statement in the year they are received.

Heritage assets

The University holds heritage assets across several locations including; The Hunterian, Special Collections within the library and Archive Services.

It has not been possible to obtain reliable information on the cost or valuation of the collections held within The Hunterian, Special Collections and Archive Services. It is not considered practicable to obtain valuations for the artefacts defined as heritage assets owing to the diverse nature of the assets held, the number of assets held, the lack of comparable market values and the prohibitive cost associated with obtaining valuations. The University does not therefore recognise these assets on the Balance Sheet. In accordance with FRS 102, recent and future acquisitions which meet the definition of a heritage asset, not held for the University's core purpose of teaching and research, are recognised at cost where the object is purchased or at an appropriate value where the object is donated. The threshold for capitalisation is £50k. Where it is not practicable to obtain a valuation, details of such significant donations will be disclosed.

Expenditure which is required to preserve or clearly prevent further deterioration of individual collection items is recognised in the Income Statement when it is incurred. The heritage assets are deemed to have indeterminate lives and therefore it is not considered appropriate to charge depreciation. Further information on the collections and details of the University's management policy in respect of heritage assets is summarised in note 12.

Stocks

Stocks are valued at the lower of purchase cost or net realisable value and include stocks in the refectories, the halls of residence, the farm and at certain main stores. Other stocks held in academic departments are written off to the Income Statement in the year in which the expenditure is incurred.

STATEMENT OF PRINCIPAL ACCOUNTING POLICIES (continued)

Investments

All investments will initially be recognised at cost and subsequently measured at fair value at each reporting date. Where fair value cannot be reliably measured or investments are not publicly traded, they will be measured at cost less impairment.

Investments in subsidiaries, associates and joint ventures are carried at cost less impairment in the University's accounts.

Revaluation

All gains and losses on investment assets, both realised and unrealised are recognised in the Income Statement as they accrue.

Accounting for jointly controlled operations, jointly controlled assets and jointly controlled entities

The University accounts for its share of transactions from jointly controlled operations in the Income Statement.

Agency arrangements

Funds the University receives and disburses as the paying agent on behalf of a funding body or other body, where the institution is exposed to minimal risk and enjoys minimal economic benefit related to the receipt and subsequent disbursement of the funds, are excluded from the Income Statement of the institution. The balances and movement on these funds are disclosed in note 22 to the financial statements.

Taxation

The University is a charity within the meaning of Part 1, chapter 2, section 7 of the Charities and Trustee Investment (Scotland) Act 2005 and is considered to pass the tests set out in Paragraph 1 Schedule 6 Finance Act 2010 and therefore it meets the definition of a charitable company for UK corporation tax purposes. Accordingly the Institution is potentially exempt from taxation in respect of income or capital gains received within the categories covered by section 287 CTA 2009 and sections 471, and 478-488 CTA 2010 or section 256 of the Taxation of Chargeable Gains Act 1992, to the extent that such income or gains are applied to exclusively charitable purposes.

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

The University's subsidiary companies are subject to corporation tax and VAT in the same way as any commercial organisation.

The charge for corporation tax is based on the profit or loss for the year before

charging the cost of any Gift Aid payment payable to the University. The charge for corporation tax also takes into account deferred tax due to timing differences between the treatment of certain items for taxation and accounting purposes.

Cash and cash equivalents

Cash and cash equivalents in the balance sheet include cash at bank and on hand and short term investments with an original maturity date of 95 days or less.

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

Cash and cash equivalents contains sums relating to endowment reserves which have yet to be passed to the investment fund managers. The University is restricted as to how they disburse these funds. Note 18 summarises the assets restricted in their use.

Foreign currencies

Transactions in foreign currencies are recorded at the rate of exchange on the transaction date. Monetary assets and liabilities denominated in foreign currencies are reported at the rates of exchange prevailing at the balance sheet date. Non-monetary assets and liabilities measured at historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

Foreign exchange differences arising on translation are recognised in the Income Statement. The results of overseas operations are translated at the average rates of exchange during the period and their balance sheets at the rates prevailing at the balance sheet date. Exchange differences arising from this translation of foreign operations are reported as an item of Other Comprehensive Income.

Interest-bearing loans and borrowings

All interest-bearing loans and borrowings which are basic financial instruments are initially recognised at the present value of cash payable to the bank (including interest). After initial recognition they are measured at amortised cost using the effective interest rate method, less impairment. The effective interest rate amortisation is included in finance cost in the Income Statement.

Provisions, contingent liabilities and contingent assets

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 benefits will be required to settle the obligation and a reliable

estimate can be made of the amount of the obligation.

Contingent liabilities are disclosed by way of a note when the definition of a provision is not met and includes three scenarios: possible rather than a present obligation; a possible rather than a probable outflow of economic benefits; an inability to measure the economic outflow.

Contingent assets are disclosed by way of a note, where there is a possible, rather than a present asset arising from a past event.

Employee benefits

Short-term employee benefits

Short term employment benefits such as salaries and compensated absences are recognised as an expense in the year employees render service to the University. A liability is recognised at each balance sheet date to the extent that employee holiday allowances have been accrued but not taken, the expense being recognised as staff costs in the Income Statement.

Post-employment benefits (pensions)

The University participates in a number of defined benefit pension schemes. For the University of Glasgow Pension Scheme and the Strathclyde Pension Fund, the expected cost of providing pensions is recognised in the Income Statement on a systematic basis over the period that relevant employees provide services to the University. Under FRS 102 past service costs are recognised immediately. Pension scheme assets are measured using market value. Pension scheme liabilities are measured using the projected unit method and discounted at the current rate of return on a high quality corporate bond of equivalent terms and currency to the liability.

The net interest cost on the net defined benefit liability is charged to the Income Statement and included within finance costs. Actuarial gains and losses and the return on scheme assets (excluding amounts included in net interest on the net defined benefit liability) are recognised immediately in Other Comprehensive Income.

For the other multi-employer schemes that the University participates in, it is not possible to identify each participating institution's share of the underlying assets and liabilities.

The amount charged to the Income Statement represents the contributions payable to the scheme in respect of the accounting period, excluding any extra costs incurred related to reducing scheme deficits already provided for. A liability is recorded within provisions for any

STATEMENT OF PRINCIPAL ACCOUNTING POLICIES (continued)

contractual commitment to fund past deficits within the multi-employer schemes as determined by the scheme management. The associated expense is recognised in the Income Statement.

Intra group transactions

Gains or losses on any intra group transactions are eliminated in full. Amounts in relation to debts and claims between undertakings included in the consolidation are also eliminated.

Reserves

Reserves are allocated between restricted and unrestricted reserves. Restricted endowment reserves include balances which, through endowment to the University, are held as a permanently restricted fund as the University must hold the fund in perpetuity. Other restricted reserves include balances through which the donor has designated a specific purpose and therefore the University is restricted in the use of these funds.

Leases

Finance leases, which substantially transfer all the risks and rewards incidental to ownership of an asset to the University, are treated as if the asset had been purchased outright. The assets are included in fixed assets (in so far as the costs exceed the University's capitalisation threshold) and the capital element of the leasing commitments is shown as obligations under finance leases.

The lease rentals are treated as consisting of capital and interest elements. The capital element is applied in order to reduce outstanding obligations and the interest element is charged to the Income Statement in proportion to the reducing capital element outstanding. Assets held under finance leases are depreciated over the shorter of the lease term or the useful economic lives of equivalent owned assets.

Rental costs incurred under operating leases are charged to expenditure on a straight line basis over the period of the leases. Any lease premiums or incentives are spread over the minimum lease term.

Service concession arrangements

Property, plant and equipment held under service concession arrangements are recognised on the balance sheet at the present value of the minimum lease payments when the assets are brought into use with a corresponding financial liability.

Payments under the service concession arrangement are allocated between service costs, finance charges and financial liability repayments to reduce the financial liability to nil over the life of the arrangement.

Short-term debtors and creditors

Debtors and creditors with no stated interest rate and receivable or payable within one year are recorded at transaction price. Any losses arising from impairment are recognised in the Income Statement in other operating expenses.

Judgements and key sources of estimation uncertainty

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the balance sheet date and the amounts reported for revenues and expenses during the year. However, the nature of estimation means that actual outcomes could differ from those estimates. The following judgements (apart from those involving estimates) have had the most significant effect on amounts recognised in the financial statements.

Operating lease commitments

The University has entered into commercial property leases and as a lessee it obtains use of land and buildings. The classification of such leases as operating or finance lease requires the University to determine, based on an evaluation of the terms and conditions of the arrangements, whether it retains or acquires the significant risks and rewards of ownership of these assets and accordingly whether the lease requires an asset and liability to be recognised in the balance sheet.

The following is the University's key source of estimation uncertainty:

Pension and other post-employment benefits

The cost of defined benefit pension plans and other post-employment benefits are determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, future salary increases, mortality rates and future pension increases. Due to the complexity of the valuation, the underlying assumptions and the long term nature of these plans, such estimates are subject to significant uncertainty.

In determining the appropriate discount rate, management considers the interest rates of corporate bonds in the respective currency that are AA rated. Certain categories of bonds are removed from this universe e.g. where the bonds are considered to be sovereign backed. Based on the remaining dataset, a yield curve is constructed and applied to a set of sample cashflows which correspond to the expected duration of the defined benefit obligations to produce a single, cash-flow weighted discount rate assumption.

The mortality rate is based on scheme-specific mortality tables constructed using analysis of the membership of the University of Glasgow Pension Scheme. Future salary increases and pension increases are based on expected future inflation rates for the respective country. Further details are given in note 24.

CONSOLIDATED AND UNIVERSITY STATEMENTS OF COMPREHENSIVE INCOME AND EXPENDITURE

for the year ended 31 July 2018

	Note	Consolidated		University	
		2018 £000	2017 £000	2018 £000	2017 £000
Income					
Tuition fees and education contracts	1	203,956	178,399	199,690	174,676
Funding body grants	2	158,427	160,362	158,427	160,362
Research grants and contracts	3	180,818	179,497	180,818	179,803
Other income	4	79,494	79,214	79,624	82,286
Investment income	5	6,571	9,206	6,539	9,182
New endowment income	6	1,372	1,165	1,372	1,165
Total income		630,638	607,843	626,470	607,474
Expenditure					
Staff costs	7	332,909	323,460	330,451	321,008
Other operating expenses	9	236,309	208,492	236,200	207,790
Depreciation	11	35,084	33,453	34,534	32,886
Interest and other finance costs	8	8,937	4,177	8,933	4,173
Total expenditure		613,239	569,582	610,118	565,857
Surplus before other gains		17,399	38,261	16,352	41,617
Gain on disposal of non-current assets		1,054	4,478	119	2,150
Gain on investments	13	13,468	13,779	12,906	12,950
Surplus before tax		31,921	56,518	29,377	56,717
Corporation taxation	10	(152)	35	(40)	77
Surplus after tax		31,769	56,553	29,337	56,794
Exchange differences on translation of subsidiary undertakings		(2)	(37)	-	-
Actuarial gain/(loss) recognised on defined benefit pension schemes	24	34,307	(23,878)	34,307	(23,878)
Total other comprehensive income/(loss)		34,305	(23,915)	34,307	(23,878)
Total comprehensive income for the year		66,074	32,638	63,644	32,916
Represented by					
Endowment comprehensive income for the year		12,211	17,439	12,211	17,439
Restricted comprehensive income/(expenditure) for the year		4,129	(3,229)	4,129	(3,229)
Unrestricted comprehensive income for the year		49,734	18,428	47,304	18,706
		66,074	32,638	63,644	32,916

CONSOLIDATED AND UNIVERSITY STATEMENTS OF CHANGES IN EQUITY

for the year ended 31 July 2018

Consolidated	Income and expenditure account			Total £000
	Endowment £000	Restricted £000	Unrestricted £000	
Balance at 1 August 2016	170,947	5,078	586,088	762,113
Surplus/(deficit) from the statement of comprehensive income and expenditure	17,439	(3,229)	42,343	56,553
Other comprehensive loss	-	-	(23,915)	(23,915)
Total comprehensive income for the year	17,439	(3,229)	18,428	32,638
Balance at 1 August 2017	188,386	1,849	604,516	794,751
Surplus from the statement of comprehensive income and expenditure	12,211	4,129	15,429	31,769
Other comprehensive income	-	-	34,305	34,305
Total comprehensive income for the year	12,211	4,129	49,734	66,074
Balance at 31 July 2018	200,597	5,978	654,250	860,825
University	Income and expenditure account			Total
	Endowment £000	Restricted £000	Unrestricted £000	£000
Balance at 1 August 2016	170,947	5,078	582,230	758,255
Surplus/(deficit) from the statement of comprehensive income and expenditure	17,439	(3,229)	42,584	56,794
Other comprehensive loss	-	-	(23,878)	(23,878)
Total comprehensive income for the year	17,439	(3,229)	18,706	32,916
Balance at 1 August 2017	188,386	1,849	600,936	791,171
Surplus from the statement of comprehensive income and expenditure	12,211	4,129	12,997	29,337
Other comprehensive income	-	-	34,307	34,307
Total comprehensive income for the year	12,211	4,129	47,304	63,644
Balance at 31 July 2018	200,597	5,978	648,240	854,815

The University's income and expenditure reserves comprise the following:

The endowment reserve represents the value of donations by individuals in the form of a gift which is to be invested. The income earned on that gift may be spent for a specific purpose and in certain circumstances the capital may be spent for that same specific purpose.

Restricted reserve which represents the value of the retained surplus in the statement of comprehensive income and expenditure with restrictions on its distribution.

Unrestricted reserve which represents the value of the University's accumulated funds through surpluses in the statement of comprehensive income and expenditure.

BALANCE SHEETS

as at 31 July 2018

	Note	Consolidated		University	
		2018 £000	2017 £000	2018 £000	2017 £000
Non-current assets					
Property, plant & equipment	11	727,951	721,146	712,002	704,653
Investments	13	418,316	363,609	435,765	382,042
		1,146,267	1,084,755	1,147,767	1,086,695
Current assets					
Stock		854	829	600	602
Trade and other receivables	14	71,911	81,708	71,787	87,730
Cash and cash equivalents		207,399	231,784	199,594	219,871
		280,164	314,321	271,981	308,203
Creditors: amounts falling due within one year	15	(229,598)	(237,729)	(229,136)	(237,355)
Net current assets		50,566	76,592	42,845	70,848
Total assets less current liabilities		1,196,833	1,161,347	1,190,612	1,157,543
Creditors: amounts falling due after more than one year	16	(245,000)	(245,000)	(245,000)	(245,000)
Provisions					
Pension provisions	24	(86,514)	(116,910)	(86,303)	(116,686)
Other provisions	17	(4,494)	(4,686)	(4,494)	(4,686)
Total net assets		860,825	794,751	854,815	791,171
Restricted reserves					
Income and expenditure reserve					
Endowment reserve	18	200,597	188,386	200,597	188,386
Restricted reserve	19	5,978	1,849	5,978	1,849
Unrestricted reserves					
Income and expenditure reserve					
Unrestricted reserve		654,250	604,516	648,240	600,936
Total reserves		860,825	794,751	854,815	791,171

The financial statements on pages 18 to 45 were approved by the University Court of the University of Glasgow on 12 December 2018 and were signed on its behalf by:

Professor Anton Muscatelli
Principal

Graeme Bissett
Convener of Finance Committee

Robert Fraser
Director of Finance

CONSOLIDATED CASH FLOW STATEMENT

as at 31 July 2018

	Note	2018 £000	2017 £000
Cash flow from operating activities			
Surplus before tax and exceptional items		31,921	56,518
Corporation taxation		(152)	35
Surplus for the year		31,769	56,553
Adjustment for non-cash items			
Depreciation	11	35,084	33,453
Increase in stock		(25)	(3)
Decrease in debtors		9,797	5,287
(Decrease)/increase in creditors falling due within one year		(8,131)	8,231
Pension costs less contributions payable		1,447	(14,315)
(Decrease)/increase in other provisions		(192)	196
Changes in values of endowment assets and other investments		(13,468)	(13,779)
Adjustment for investing or financing activities			
New endowment income	6	(1,372)	(1,165)
Investment income	5	(6,571)	(9,206)
Gain on disposal of non-current assets		(1,054)	(4,478)
Gain on disposal of non-current assets - proceeds accrued		623	26
Interest payable	8	8,937	4,177
Capital grant income		(14,888)	(30,841)
Net cash inflow from operating activities		41,956	34,136
Cash flow from investing activities			
Endowment assets acquired		(5,792)	(1,975)
Payments to acquire other investments		(35,247)	(175,843)
Receipts from the sale of other investments		111	3,069
Payments to acquire property, plant and equipment	11	(41,920)	(37,993)
Proceeds from sale of property, plant and equipment		150	2,328
New endowment income	6	1,372	1,165
Investment income	5	6,571	9,206
Capital grant receipts		14,888	30,841
Net cash outflow from investing activities		(59,867)	(169,202)
Cash flows from financing activities			
Increase in creditors falling due after more than one year		-	175,000
Interest paid		(6,472)	(2,095)
Net cash outflow from financing activities		(6,472)	172,905
Currency translation			
		(2)	(37)
(Decrease)/increase in cash and cash equivalents in the year		(24,385)	37,802
Cash and cash equivalents at beginning of the year		231,784	193,982
Cash and cash equivalents at end of the year		207,399	231,784
(Decrease)/increase in cash and cash equivalents in the year		(24,385)	37,802

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 July 2018

1	Tuition fees and education contracts	Consolidated		University	
		2018	2017	2018	2017
		£000	£000	£000	£000
	Home and EU students	40,758	37,570	40,758	37,570
	Rest of the UK students	21,520	20,785	21,520	20,785
	Overseas students	120,032	99,843	115,766	96,120
	Short courses	6,035	5,412	6,035	5,412
	Other fees	2,518	1,736	2,518	1,736
	Research support grants	13,093	13,053	13,093	13,053
		203,956	178,399	199,690	174,676
2	Funding body grants	Consolidated		University	
		2018	2017	2018	2017
		£000	£000	£000	£000
	Main teaching grant	82,872	82,223	82,872	82,223
	Main quality research grant	45,935	45,335	45,935	45,335
	Research postgraduate grant	7,344	7,407	7,344	7,407
	Knowledge transfer grant	1,409	1,409	1,409	1,409
	Infrastructure grants	9,365	13,613	9,365	13,613
	Other funding council grants	11,502	10,375	11,502	10,375
		158,427	160,362	158,427	160,362
3	Research grants and contracts	Consolidated		University	
		2018	2017	2018	2017
		£000	£000	£000	£000
	Research Councils	62,690	61,284	62,690	61,284
	UK Charities	53,535	47,812	53,535	47,812
	UK Government including RDEC	23,898	23,463	23,898	23,463
	European Union (EU)	18,205	18,710	18,205	18,710
	UK industry	7,726	5,966	7,726	5,966
	Overseas	8,129	6,328	8,129	6,328
	Other sources	1,112	806	1,112	1,112
	Capital grant income	5,523	15,128	5,523	15,128
		180,818	179,497	180,818	179,803
4	Other income	Consolidated		University	
		2018	2017	2018	2017
		£000	£000	£000	£000
	Residences and hospitality services	29,197	22,175	29,197	22,175
	Other services rendered	28,309	26,566	26,094	24,655
	Health authorities	4,790	4,377	4,790	4,377
	Other income	17,198	23,996	19,543	28,979
	Capital grant income	-	2,100	-	2,100
		79,494	79,214	79,624	82,286

NOTES TO THE FINANCIAL STATEMENTS

(continued)

for the year ended 31 July 2018

5	Investment income	Consolidated		University	
		2018	2017	2018	2017
		£000	£000	£000	£000
	Income from expendable endowments	875	1,300	875	1,300
	Income from permanent endowments	4,754	7,054	4,754	7,054
	Income from short-term investments	942	852	910	828
		6,571	9,206	6,539	9,182

6	New endowment income	Consolidated		University	
		2018	2017	2018	2017
		£000	£000	£000	£000
	New endowments	1,372	1,165	1,372	1,165
		1,372	1,165	1,372	1,165

7	Staff costs	Consolidated		University	
		2018	2017	2018	2017
		£000	£000	£000	£000
	By expense type:				
	Salaries	246,811	237,526	244,965	235,768
	Social security costs	25,498	23,794	25,002	23,428
	Movement on USS provision	(3,508)	1,847	(3,491)	1,627
	Other pension costs (note 24)	64,108	60,293	63,975	60,185
		332,909	323,460	330,451	321,008

	Consolidated		University		
	2018	2017	2018	2017	
	£000	£000	£000	£000	
	By staff category:				
	Academic departments	143,208	135,959	142,283	135,134
	Academic services	15,262	15,949	15,262	15,949
	Research grants and contracts	66,434	64,280	66,434	64,280
	Residences and hospitality services	2,898	2,936	2,898	2,936
	Premises	12,818	12,004	12,818	12,004
	Administration and other central services	22,418	21,446	22,054	21,271
	Other income generating	9,271	8,746	8,218	7,622
	Movement on USS provision	(3,508)	1,847	(3,491)	1,627
	Other pension costs (note 24)	64,108	60,293	63,975	60,185
		332,909	323,460	330,451	321,008

Remuneration of the Principal:		
Professor Anton Muscatelli	288	279
Contribution in respect of pensions:		
Professor Anton Muscatelli	52	50
Total remuneration of the Principal	340	329

Ratio of remuneration of the Principal to the median salary of a University staff member	8.35:1	7.98:1
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The Principal did not receive a bonus or any benefit in kind during the year to 31 July 2018. In October 2017, Court decided that the role of Convener of Court should be remunerated at a rate of £500 a day up to a maximum of 50 days a year. The remuneration earned up to 31 July 2018 was £14k.

NOTES TO THE FINANCIAL STATEMENTS

(continued)

for the year ended 31 July 2018

7 Staff costs (continued)

	2018 Number	2017 Number
Average full time equivalent staff members by major category:		
Academic departments	2,624	2,579
Academic services	407	417
Research grants and contracts	1,421	1,386
Residences and hospitality services	101	110
Premises	501	500
Administration and other central services	549	537
Other income generating	174	164
	5,777	5,693

Key management personnel: Certain senior employees who have authority and responsibility for planning, directing and controlling the activities of the group are considered to be key management personnel. Total remuneration (including pension contributions) in respect of these individuals is £2,670,518 (2017: £2,447,996).

Remuneration of higher paid staff, including NHS merit awards, but excluding employer's pension contributions, termination payments, consultancy fees and distributions from shares in spin out companies fell within the ranges shown below. Please note clinical academics' base salaries are set using NHS salary scales.

	2018			2017		
	Non clinical	Clinical	Key management personnel	Non clinical	Clinical	Key management personnel
£100,001 - £110,000	31	9	-	32	9	-
£110,001 - £120,000	19	10	2	18	6	2
£120,001 - £130,000	14	7	2	10	9	4
£130,001 - £140,000	5	15	1	8	13	2
£140,001 - £150,000	5	6	3	2	10	1
£150,001 - £160,000	1	3	1	1	8	1
£160,001 - £170,000	1	5	-	1	4	-
£170,001 - £180,000	3	5	1	1	7	-
£180,001 - £190,000	-	5	1	2	5	1
£190,001 - £200,000	2	2	-	1	4	-
£200,001 - £210,000	-	4	-	-	2	-
£210,001 - £220,000	-	2	1	-	-	-
£220,001 - £230,000	-	1	-	-	-	-
£230,001 - £240,000	1	-	-	1	-	-
£240,001 - £250,000	-	-	-	-	-	-
£250,001 - £260,000	-	-	-	-	-	-
£260,001 - £270,000	-	-	-	-	-	-
£270,001 - £280,000	-	-	1	-	-	2
£280,001 - £290,000	-	-	1	-	-	-

Facility time publication requirements

The Trade Union (Facility Time Publication Requirements) Regulations 2017 implement Section 13 of the Trade Union Act 2016 (inserted in TULRCA 1992) which requires relevant public sector employers to report annually on paid time off provided to relevant trade union officials* for trade union duties and activities. The regulations came into force on 1 April 2017 with the first reporting requirement to contain information up to 31 March 2018.

*Relevant union official refers to trade union officials, learning representatives or safety representatives.

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the year ended 31 July 2018

7 Staff costs (continued)

	31 March 2018
Table 1 - Relevant union officials	
Number of employees who were relevant union officials during the relevant period	27
Full-time equivalent employee number	26.6

	Number of employees
Table 2 - Percentage of time spent on facility time	
Percentage of time	
0%	5
1%-50%	22
51%-99%	-
100%	-
	27

	31 March 2018 £000
Table 3 - Percentage of pay bill spent on facility time	
Percentage of pay bill	
Total cost of facility time	62
Total pay bill	314,096
Percentage of the total pay bill spent on facility time (calculated as total cost of facility time / total pay bill * 100)	0.02%

	31 March 2018
Table 4 - Paid trade union activities	
Time spent on paid trade union activities as a percentage of total paid facility time hours (calculated as total hours spent on paid trade union activities by relevant union officials during the relevant period ÷ total paid facility time hours x 100)	1%

8 Interest and other finance costs	Consolidated		University	
	2018 £000	2017 £000	2018 £000	2017 £000
Net charge on pension schemes (note 24)	2,465	1,946	2,461	1,942
Interest on private placement bond	6,472	2,231	6,472	2,231
	8,937	4,177	8,933	4,173

NOTES TO THE FINANCIAL STATEMENTS

(continued)

for the year ended 31 July 2018

9 Other operating expenses	Consolidated		University	
	2018 £000	2017 £000	2018 £000	2017 £000
Academic departments	71,695	63,148	71,695	63,148
Academic services	10,822	11,632	10,822	11,632
Research grants and contracts	70,708	70,112	70,708	70,112
Residences and hospitality services	19,946	12,415	19,946	12,415
Premises	40,546	29,122	40,546	29,122
Administration and other central services	12,115	13,481	14,717	14,876
Agency staff	2,038	1,919	2,038	1,919
Other income generating	8,439	6,663	5,728	4,566
	236,309	208,492	236,200	207,790

	Consolidated	
	2018 £000	2017 £000
Other operating expenses include the following fees (including VAT) in respect of services provided to the group for:		
External auditors' remuneration in respect of audit services	91	90
External auditors' remuneration in respect of non-audit services	28	27
Internal auditors' remuneration in respect of audit services	226	247
Internal auditors' remuneration in respect of non-audit services	25	121
Operating lease rentals		
Land and buildings	14,726	2,414

10 Taxation	Consolidated	
	2018 £000	2017 £000
UK corporation tax	40	(77)
Singapore corporation tax at 17% on the profits of UGlasgow Singapore Pte Ltd (2017: 17%)	112	42
	152	(35)
Reconciliation of current corporation tax charge	2018 £000	2017 £000
Surplus before tax	31,921	56,518
Surplus on ordinary activities multiplied by the average standard rate of corporation tax in the UK of 19% (2017: 19.67%)	6,065	11,117
Surplus falling within charitable exemption	(5,875)	(11,110)
Adjustment in respect of prior year	5	(10)
Effect of tax rates in foreign jurisdiction	(43)	(32)
	152	(35)

NOTES TO THE FINANCIAL STATEMENTS

(continued)

for the year ended 31 July 2018

11	Property, plant & equipment Consolidated:	Freehold land and buildings £000	Equipment £000	Plant and machinery £000	Assets under construction £000	Total £000
	Cost:					
	As at 1 August 2017	777,697	120,819	11,608	27,004	937,128
	Additions	2	6,768	4	35,146	41,920
	Disposals	(6,176)	(50)	-	-	(6,226)
	Transfers	15,226	-	-	(15,226)	-
	As at 31 July 2018	786,749	127,537	11,612	46,924	972,822
	Depreciation:					
	As at 1 August 2017	126,125	89,289	568	-	215,982
	Charge for the year	25,047	9,607	430	-	35,084
	Eliminated on disposal	(6,165)	(30)	-	-	(6,195)
	As at 31 July 2018	145,007	98,866	998	-	244,871
	Net Book Value:					
	As at 31 July 2018	641,742	28,671	10,614	46,924	727,951
	As at 31 July 2017	651,572	31,530	11,040	27,004	721,146
	University:	Freehold land and buildings £000	Equipment £000	Plant and machinery £000	Assets under construction £000	Total £000
	Cost:					
	As at 1 August 2017	772,084	120,819	-	27,004	919,907
	Additions	-	6,768	-	35,146	41,914
	Disposals	(6,176)	(50)	-	-	(6,226)
	Transfers	15,226	-	-	(15,226)	-
	As at 31 July 2018	781,134	127,537	-	46,924	955,595
	Depreciation:					
	As at 1 August 2017	125,965	89,289	-	-	215,254
	Charge for the year	24,927	9,607	-	-	34,534
	Eliminated on disposal	(6,165)	(30)	-	-	(6,195)
	As at 31 July 2018	144,727	98,866	-	-	243,593
	Net Book Value:					
	As at 31 July 2018	636,407	28,671	-	46,924	712,002
	As at 31 July 2017	646,119	31,530	-	27,004	704,653

Property owned by the University includes academic buildings, student residences and other associated properties including a conference centre, a sports' centre, museum and art gallery, none of which is considered to be inalienable. Freehold land and buildings contains £94.7m of land (2017: £94.7m) which is not depreciated and £46.9m (2017: £27.0m) of assets that are under construction and have not yet received a charge for depreciation.

NOTES TO THE FINANCIAL STATEMENTS

(continued)

for the year ended 31 July 2018

12 Heritage assets

The University holds heritage assets across several locations with the main collections in the following areas:

The Hunterian

The Hunterian at the University of Glasgow is Scotland's oldest public museum and the collections are recognised by the Scottish Government as being of national significance. The Hunterian has full accreditation through Museums Galleries Scotland, and is only the third Scottish museum and gallery to have approved for Immunity From Seizure cover from the Scottish Government. The museum is home to over 1.5 million items ranging from fossils to coins and medals. The museum houses specific collections such as a permanent display based around the life and work of Lord Kelvin and displays dedicated to the history of medicine in Scotland, which includes the eminent Scottish physician and obstetrician, William Hunter's own medical collection from the 18th century. The Hunterian Art Gallery includes works by the Scottish colourists Peploe and Cadell and a display of works drawn from the estate of the American artist James McNeill Whistler, bequeathed to the Hunterian. The Charles Rennie Mackintosh Collection is the largest single holding of his work comprising over 800 drawings, designs and watercolours.

The Anatomy Museum and Zoology Museum are also managed by the Hunterian. The anatomy collections consist of William Hunter's medical teaching material from his career and range from skeletal material to taxidermy. The Zoology Museum houses most of the major groups of animals but has particular strength in insects, which constitutes 90% of the 600,000 specimens.

At Kelvin Hall, the University has created The Hunterian Collections Study Centre which offers a state-of-the-art environment for research, teaching and training. These unique facilities allow the University to build on its international reputation for collections and object-based pedagogies, offering much greater access to the collections while forging new academic and educational practice. To date approximately 55% of the collection has been relocated to the new facilities, the remaining collections will move over the course of the next few years.

The main Hunterian Museum is open to visitors from Tuesday to Saturday 10am to 5pm and Sundays 11am to 4pm. The Zoology museum is open Monday to Friday 9am to 5pm. The Hunterian Art Gallery and the Mackintosh House are open to visitors Tuesday to Saturday 10am to 5pm and Sunday 11am to 4pm. Access to the Anatomy Museum is available by appointment only. Information about the Hunterian's policy for the acquisition, preservation and management and disposal of heritage assets can be found at: http://www.gla.ac.uk/media/media_287267_en.pdf. There have been no significant acquisitions or disposals during the financial year.

Special Collections

The University of Glasgow's Special Collections department is one of the foremost resources in Scotland for academic research and teaching. The collection has been built up over a period of more than 500 years and now contains more than 200,000 manuscript items and approximately 200,000 printed works, including over 1,000 incunabula (books published before 1501). The collection covers a wide range of subjects including humanities, social and economic history and the history of science and medicine. Holdings in areas such as medieval and renaissance manuscripts and emblem literature are of world importance. During the financial year, Special Collections was open to the public Monday to Thursday 9am to 5pm (6pm during term time) and Friday 10am to 5pm. From 1 August 2018, Special Collections is open to the public Monday to Thursday 9.30am to 5pm and Friday 10am to 5pm. Special Collections is closed during public holidays. Information about Special Collections policy for the acquisition, preservation and management and disposal of heritage assets can be found at: www.gla.ac.uk/services/specialcollections/aboutus/developmentpolicy/ and http://www.gla.ac.uk/media/media_514812_en.pdf. There have been no significant acquisitions or disposals during the financial year.

Archive Services

Glasgow University Archive Services holds the official records of the University created and accumulated since its foundation in 1451, including University related records deposited by staff, alumni and associated organisations, and the records of predecessor institutions. It also manages the Scottish Business Archive consisting of collections of historical business records dating from the 18th century to the present day. Archive Services are open to the public Monday to Friday 9.30am to 5pm. Archive Services is closed during public holidays. Information about the Archive Services' policy for the acquisition, preservation and management and disposal of heritage assets can be found at: http://www.gla.ac.uk/media/media_514812_en.pdf. Annual details can be found at: <http://www.gla.ac.uk/services/archives/about/ourperformance/annualreviews/>. There have been no significant disposals or acquisitions during the financial year.

NOTES TO THE FINANCIAL STATEMENTS

(continued)

for the year ended 31 July 2018

12 Heritage assets (continued)

Reliable information on cost or valuation cannot be obtained for the vast majority of collections held within the Hunterian, Special Collections and Archive Services. This is because of the diverse nature of the assets held, the number of assets held and the lack of comparable market values. The University does not therefore recognise these assets on the balance sheet, other than recent acquisitions which are reported at cost, where the object is purchased, or at the University's best estimate of current value where the object is donated and meets the definition of a heritage asset. Acquisitions in the year to 31 July 2018 do not meet the definition of a heritage asset and therefore are not recognised on the balance sheet.

13 Investments

	Consolidated						Total £000
	Treasury stock at market value £000	Unlisted investments at cost £000	Listed investments at market value £000	Endowment assets £000	Investment funds £000		
	At 1 August 2017	2,025	1,131	1,070	183,938	175,445	
Additions	-	247	327	5,792	35,000	41,366	
Disposals	-	-	(127)	-	-	(127)	
Transfers	-	-	-	-	-	-	
Increase in market value	(30)	-	562	10,867	2,069	13,468	
At 31 July 2018	1,995	1,378	1,832	200,597	212,514	418,316	

	University						Total £000
	Treasury stock at market value £000	Unlisted investments at cost £000	Listed investments at market value £000	Endowment assets £000	Investment funds £000		
	At 1 August 2017	2,025	20,634	-	183,938	175,445	
Additions	-	25	-	5,792	35,000	40,817	
Disposals	-	-	-	-	-	-	
Transfers	-	-	-	-	-	-	
Increase in market value	(30)	-	-	10,867	2,069	12,906	
At 31 July 2018	1,995	20,659	-	200,597	212,514	435,765	

The University has a direct interest of 100% in the ordinary share capital of GU Holdings Limited, Kelvin Nanotechnology Limited, UOG Utilities Supply Company Limited and UGlasgow Singapore Pte Ltd, registered in Singapore. GU Holdings Limited owns 100% of the ordinary share capital of GU Heritage Retail Limited. These companies are incorporated in the consolidated financial statements. In addition the University of Glasgow Trust, an independent charity set up to collect donations and disburse them for the benefit of the University generally, is consolidated in these financial statements. During the year, the University increased its capital investment in its unlisted investments, investing £25,000 into GU Holdings Limited. In addition to this, the University invested £35m in investment funds to further diversify holdings until required for the campus development programme.

Endowment assets

	Consolidated		University	
	2018 £000	2017 £000	2018 £000	2017 £000
Equities	194,425	181,688	194,425	181,688
Cash on deposit held by the investment managers	6,172	2,250	6,172	2,250
	200,597	183,938	200,597	183,938

NOTES TO THE FINANCIAL STATEMENTS

(continued)

for the year ended 31 July 2018

14 Trade and other receivables

	Consolidated		University	
	2018	2017	2018	2017
	£000	£000	£000	£000
Amounts falling due within one year:				
Research grants and contracts	40,614	55,968	40,614	55,968
Prepayments and other sundry debtors	22,389	19,889	20,988	18,918
Salaries recoverable externally	2,070	1,850	2,070	1,850
Courses, consultancies and contracts	6,838	4,001	6,838	4,001
Amounts due from subsidiaries	-	-	1,277	6,993
	71,911	81,708	71,787	87,730

15 Creditors: amounts falling due within one year

	Consolidated		University	
	2018	2017	2018	2017
	£000	£000	£000	£000
Research grants and contracts	92,293	112,304	92,293	112,304
Sundry creditors	31,905	29,213	31,335	28,882
Accruals and sundry provisions	65,633	61,200	65,246	60,734
Courses, consultancies and contracts	20,199	17,669	20,199	17,669
Employment cost liabilities	19,568	17,343	19,568	17,343
Amounts due to subsidiaries	-	-	495	423
	229,598	237,729	229,136	237,355

Deferred income with performance conditions

Included within creditors: amounts falling due within one year are the following items of income which have been deferred until specific performance related conditions have been met.

	Consolidated		University	
	2018	2017	2018	2017
	£000	£000	£000	£000
Research grants - included within research grants and contracts	76,770	94,147	76,770	94,147
Grant income - included within accruals and sundry provisions	-	-	-	-
Other income - included within courses, consultancies and contracts	8,133	6,601	8,133	6,601
	84,903	100,748	84,903	100,748

NOTES TO THE FINANCIAL STATEMENTS

(continued)

for the year ended 31 July 2018

16 Creditors: amounts falling due after more than one year

	Consolidated		University	
	2018 £000	2017 £000	2018 £000	2017 £000
Analysis of unsecured private placement bonds				
Due in five years or more	245,000	245,000	245,000	245,000
	245,000	245,000	245,000	245,000

Analysis of unsecured private placement bonds	Amount borrowed £000	Coupon rate	Term	Bonds maturity year
2016 unsecured private placement bonds – Series A	30,000	2.97%	30 year term	2046
2016 unsecured private placement bonds – Series B	40,000	3.01%	35 year term	2051
2017 unsecured private placement bonds – Series A	92,000	2.49%	25 year term	2042
2017 unsecured private placement bonds – Series B	40,000	2.55%	30 year term	2047
2017 unsecured private placement bonds – Series C	43,000	2.48%	40 year term	2057
	245,000			

There are no capital payments to be made over the term.

The agreements entered into by the University for the private placement bonds funding contains certain covenants on the University incurring further indebtedness. These restrictions are set out below:

- The University shall not permit net debt at any time to exceed 50% of consolidated total assets (before any adjustment relating to pensions or other post-employment benefits is made for the purposes of FRS 102).
- The University shall not permit the total borrowing costs in relation to any financial year to exceed 7% of the total consolidated income for that financial year.
- The covenants in the agreement shall be tested by reference to the annual financial statements delivered pursuant to the agreement.

17 Provisions for liabilities (Consolidated and University)

	Funded pension liability: St Andrew's College £000	Unfunded pension liability: St Andrew's College & LGPS £000	Ex-gratia pension liability £000	Total £000
As at 1 August 2017	2,993	1,689	4	4,686
Income	44	-	-	44
Transfer from Statement of Comprehensive Income and Expenditure	(11)	82	-	71
Utilised in year	(159)	(148)	-	(307)
As at 31 July 2018	2,867	1,623	4	4,494

A valuation of the above pension liabilities at 31 July 2018 was carried out by the University's appointed independent actuary, PricewaterhouseCoopers LLP.

NOTES TO THE FINANCIAL STATEMENTS

(continued)

for the year ended 31 July 2018

18 Endowment funds (Consolidated and University)	Unrestricted	Restricted	Total	Restricted	2018	2017
	Permanent	Permanent	Permanent	Expendable	Total	Total
	£000	£000	£000	£000	£000	£000
As at 1 August						
Capital value	1,664	133,026	134,690	25,929	160,619	147,694
Accumulated income	352	23,956	24,308	3,459	27,767	23,253
	2,016	156,982	158,998	29,388	188,386	170,947
Reclassification of categories	-	63	63	(63)	-	-
New endowments	1	1,014	1,015	357	1,372	1,165
Investment income	61	4,693	4,754	875	5,629	8,354
Expenditure	(40)	(3,976)	(4,016)	(1,641)	(5,657)	(5,071)
Increase in market value of investments	116	9,059	9,175	1,692	10,867	12,991
As at 31 July	2,154	167,835	169,989	30,608	200,597	188,386
Represented by:						
Capital value	1,775	142,481	144,256	26,917	171,173	160,619
Accumulated income	379	25,354	25,733	3,691	29,424	27,767
As at 31 July	2,154	167,835	169,989	30,608	200,597	188,386
Analysis by type of purpose:						
Lectureships	2,154	71,217	73,371	19,413	92,784	87,792
Scholarships and bursaries	-	83,919	83,919	11,076	94,995	88,572
Prize funds	-	7,113	7,113	119	7,232	6,759
General	-	5,586	5,586	-	5,586	5,263
As at 31 July	2,154	167,835	169,989	30,608	200,597	188,386

19 Restricted reserves (Consolidated and University)	Capital grants			Total	Total
	unspent	Donations	Total		
	2018	2018	2018	2017	2017
	£000	£000	£000	£000	£000
Income and expenditure reserve					
As at 1 August	-	1,849	1,849	-	5,078
New donations	-	7,045	7,045	-	-
Expenditure	-	(2,916)	(2,916)	-	(1,085)
Capital grant income	14,888	-	14,888	-	-
Capital grants utilised	(14,888)	-	(14,888)	-	(2,144)
As at 31 July	-	5,978	5,978	-	1,849

NOTES TO THE FINANCIAL STATEMENTS

(continued)

for the year ended 31 July 2018

20	Commitments and contingencies	Consolidated		University	
		2018	2017	2018	2017
	Capital commitments	£000	£000	£000	£000
	Commitments contracted at 31 July	205,306	94,588	205,306	94,588
	Authorised but not contracted at 31 July	73,192	108,604	73,192	108,604
		278,498	203,192	278,498	203,192

Lease commitments as a lessee

The total of future minimum lease payments under non-cancellable operating leases for each of the following periods:

	Land and buildings	
	2018	2017
	£000	£000
- Within one year	14,727	13,938
- In two to five years	17,811	15,630
- After more than five years	6,870	3,933
	39,408	33,501

Lease payments receivable as a lessor

The total of future minimum lease payments receivable under non-cancellable operating leases for each of the following periods:

	Land and buildings	
	2018	2017
	£000	£000
- Within one year	7,700	7,700
- In two to five years	7,700	7,700
- After more than five years	-	-
	15,400	15,400

21 Events after the reporting period

There are no events subsequent to the date of the balance sheet that have any material impact on these financial statements.

22	Amounts disbursed as agent (Consolidated and University)	HE Childcare	HE	2018	2017
		Fund	Discretionary Fund	Total	Total
		£000	£000	£000	£000
	As at 1 August	-	-	-	-
	Funds received in year	256	1,214	1,470	1,500
	Expenditure	(329)	(1,142)	(1,471)	(1,501)
	Virements	73	(73)	-	-
	Interest	-	1	1	1
	As at 31 July	-	-	-	-

NOTES TO THE FINANCIAL STATEMENTS

(continued)

for the year ended 31 July 2018

23 Disclosure of related party transactions

Due to the nature of the University's operations and the composition of the University Court of the University of Glasgow (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 Court may have an interest. All transactions involving organisations in which a member of Court may have an interest are conducted at arm's length and in accordance with the University's financial regulations and normal procurement procedures. In line with the 2017 Scottish Code of Good HE Governance, all members of Court are required to complete a register of interests to record any areas of potential conflict with the interests of the University.

No material transactions have taken place.

24 Pension schemes

The University participates in the following pension schemes:

- a) The University of Glasgow Pension Scheme (UGPS);
- b) The Strathclyde Pension Fund (SPF);
- c) The Universities Superannuation Scheme (USS);
- d) The Scottish Teachers' Superannuation Scheme (STSS);
- e) The NHS Superannuation Scheme (Scotland) (NHSSS);
- f) The Medical Research Council Pension Scheme (MRCPS);
- g) The National Employment Savings Trust (NEST);
 - i) NEST Autoenrol; and ii) NEST Contractual.

The total pension costs for the University were as follows:

	Consolidated		University	
	2018 £000	2017 £000	2018 £000	2017 £000
USS - contributions paid	47,223	44,620	47,105	44,526
UGPS - charge to income statement	14,306	13,352	14,306	13,352
SPF - charge to income statement	182	146	182	146
Other schemes - contributions paid	2,397	2,175	2,382	2,161
Total pension costs at 31 July	64,108	60,293	63,975	60,185

Members of the USS and UGPS schemes give up a portion of their contractual gross pay equal to their employees' pension contribution as part of a HMRC approved salary sacrifice scheme, members may opt out of this scheme if they so wish. No changes to staff pensionable salaries or total pension scheme contributions arise from this arrangement. The figures within note 7 to the financial statements reflect the reduced gross pay earned by staff under this arrangement. The total pension costs shown above and in note 7 reflect the increased employer contributions under this arrangement. Employer contribution percentage rates quoted below represent only the employer's contribution rates specified by the scheme trustees.

For both the UGPS and SPF, pension costs are assessed in accordance with the advice of the actuaries, based on the latest actuarial valuation of the scheme. The expected cost of providing staff pensions is recognised in the income and expenditure account on a systematic basis over the expected average remaining lives of members of the pension funds, in accordance with FRS 102 and recognises retirement benefits as the benefits are earned and not when they are due to be paid. The consolidated balances for UGPS, SPF and USS as shown in the financial statements and associated notes are as follows:

	Consolidated		University	
	2018 £000	2017 £000	2018 £000	2017 £000
UGPS net deficit in the scheme	(34,631)	(61,384)	(34,631)	(61,384)
SPF net surplus/(deficit) in the scheme	418	(763)	418	(763)
USS deficit reduction plan provision	(52,301)	(54,763)	(52,090)	(54,539)
Total pension provisions at 31 July	(86,514)	(116,910)	(86,303)	(116,686)

NOTES TO THE FINANCIAL STATEMENTS

(continued)

for the year ended 31 July 2018

24 Pension schemes (continued)

a) UGPS (continued)

Amount recognised in the Statement of Comprehensive Income and Expenditure:

Actuarial gains/(losses) recognised on defined benefit pension schemes

	Consolidated		University	
	2018	2017	2018	2017
	£000	£000	£000	£000
UGPS	33,295	(23,572)	33,295	(23,572)
SPF	1,012	(306)	1,012	(306)
Total gains/(losses) for the year	34,307	(23,878)	34,307	(23,878)

Interest and other finance costs

	Consolidated		University	
	2018	2017	2018	2017
	£000	£000	£000	£000
UGPS	(1,405)	(1,003)	(1,405)	(1,003)
SPF	(14)	(14)	(14)	(14)
USS	(1,046)	(929)	(1,042)	(925)
Total net finance cost	(2,465)	(1,946)	(2,461)	(1,942)

Due to the mutual nature of the other schemes (USS, STPS, NHSPS, MRCPS and NEST), the University is unable to identify its share of the underlying assets and liabilities of the schemes on a consistent and reasonable basis and therefore, as required by FRS 102, accounts for the schemes as if they were defined contribution schemes. As a result, the amount charged to the income and expenditure account represents the contributions payable to the schemes in respect of the accounting period.

a) UGPS

This is a defined benefit scheme which is externally funded and from 31 March 2016 is no longer contracted out of the State Second Pension. The assets of the scheme are held in a separate trustee-administered fund. The fund is valued every three years by professionally qualified independent actuaries, the rates of contribution payable being determined by the trustees on the advice of the actuaries. In the intervening years the actuaries review the progress of the scheme. Pension costs are assessed in accordance with the advice of the actuaries, based on the latest actuarial valuation of the scheme. The scheme closed to new members with effect from 1 April 2014. A full actuarial valuation was carried out as at 1 April 2016.

The major assumptions used at 31 July are shown below:

	2018	2017	2016
Discount rate	2.75%	2.50%	2.50%
Retail price inflation	3.40%	3.40%	2.70%
Rate of increase in salaries	3.15%	3.15%	2.70%
Rate of increase to pensions in payment	2.65%	2.65%	1.80%
Consumer price inflation	2.65%	2.65%	1.70%

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

	2018	2018	2017	2017
	Male	Female	Male	Female
Member age 65 (current life expectancy)	23.0	25.8	22.9	25.7
Member age 45 (life expectancy at age 65)	25.1	28.3	25.0	28.2

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the year ended 31 July 2018

24 Pension schemes (continued)

a) UGPS (continued)

The assets in the scheme were:

	Value at 31 July 2018 £000	Value at 31 July 2017 £000	Value at 31 July 2016 £000
UK equities	-	28,888	52,774
Global equities	48,288	62,014	128,287
Corporate bonds	37,049	95,556	41,884
Government bonds	80,427	70,563	76,877
Diversified growth fund	116,909	134,308	73,412
Long lease property	41,628	-	-
Diversified credit	58,727	-	-
Direct lending	41,707	-	-
Cash/net current assets	1,132	21,375	5,364
Total	425,867	412,704	378,598

The following amounts at 31 July were measured in accordance with the requirements of FRS 102:

	Value at 31 July 2018 £000	Value at 31 July 2017 £000	Value at 31 July 2016 £000
Total market value of assets	425,867	412,704	378,598
Present value of liabilities	(460,498)	(474,088)	(431,233)
Deficit in the scheme	(34,631)	(61,384)	(52,635)

The University has contributed 22.5% of pensionable salaries over the period to 31 July 2018. The University has entered into a recovery plan for the pension scheme from 1 July 2017 to 1 April 2034. The University expects to make deficit reduction contributions of £3.95m per year increasing by 2.5% per annum from 31 March 2023 to 31 March 2034. The recovery plan will be revisited every three years.

	2018 £000	2017 £000
Amount charged to operating surplus:		
Staff costs:		
Current service cost	(13,082)	(11,802)
Administration costs	(1,224)	(1,550)
Total operating charge	(14,306)	(13,352)
Interest and other finance costs:		
Expected return on scheme assets	10,296	9,675
Interest on scheme liabilities	(11,701)	(10,678)
Total net return	(1,405)	(1,003)
Total UGPS pension cost recognised in the income and expenditure account	(15,711)	(14,355)
	2018 £000	2017 £000
Other Comprehensive Income (OCI):		
Actual return on assets excluding amounts included in net interest	7,088	7,662
Actuarial gain/(loss) on scheme obligations	26,207	(31,234)
Actuarial gain/(loss) recognised in the OCI for UGPS	33,295	(23,572)

The cumulative loss recognised in the Other Comprehensive Income to date is £9.2m (2017: £42.5m loss).

NOTES TO THE FINANCIAL STATEMENTS

(continued)

for the year ended 31 July 2018

24 Pension schemes (continued)

a) UGPS (continued)

	2018	2017
	£000	£000
Movements in present value of scheme assets during the year:		
Assets at beginning of the year	412,704	378,598
Movement in year:		
Interest income	10,296	9,675
Actual return on assets excluding amounts included in net interest	7,088	7,662
Contributions by the employer	9,169	29,178
Benefits paid	(13,390)	(12,409)
Assets at the end of the year	425,867	412,704

	2018	2017
	£000	£000
Movements in present value of scheme liabilities during the year:		
Liabilities at beginning of the year	474,088	431,233
Movement in year:		
Current service cost	13,082	11,802
Administration costs	1,224	1,550
Interest cost	11,701	10,678
Actuarial (gain)/loss	(26,207)	31,234
Benefits paid	(13,390)	(12,409)
Liabilities at the end of the year	460,498	474,088

Details of the experience gains and losses for the years to 31 July:	2018	2017	2016	2015	2014
	£000	£000	£000	£000	£000
Fair value of scheme assets	425,867	412,704	378,598	337,388	299,616
Present value of scheme liabilities	(460,498)	(474,088)	(431,233)	(385,697)	(334,489)
Deficit in the scheme	(34,631)	(61,384)	(52,635)	(48,309)	(34,873)

b) SPF

This is an externally funded, multi-employer, defined benefit scheme and from 31 March 2016 is no longer contracted out of the State Second Pension. The element of SPF attributable to the University covers former members of staff at St Andrew's College of Education and the Scottish Centre for Research in Education (SCRE). SPF is a pool into which employees' and employers' contributions and income from investments are paid, and from which pensions and other related benefits are paid out in accordance with the provisions of the Local Government Pension Scheme. This scheme is a multi-employer defined benefits scheme and covers past and present employees.

A valuation of the University's benefit obligation in respect of its members has been estimated by a qualified independent actuary based on the 31 March 2017 valuation results, rolled forward onto the assumptions used below at 31 July 2018.

The major assumptions used at 31 July are shown below:

	2018	2017	2016
Discount rate	2.75%	2.50%	2.50%
Retail price inflation	3.40%	3.40%	2.70%
Rate of increase in salaries	3.15%	3.15%	2.70%
Rate of increase to pensions in payment	2.65%	2.65%	1.80%
Consumer price inflation	2.65%	2.65%	1.70%

NOTES TO THE FINANCIAL STATEMENTS

(continued)

for the year ended 31 July 2018

24 Pension schemes (continued)

b) SPF (continued)

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

	2018	2018	2017	2017
	Male	Female	Male	Female
Member age 65 (current life expectancy)	21.6	23.9	22.9	25.7
Member age 45 (life expectancy at age 65)	23.5	25.9	25.0	28.2

The assets in the scheme were:

	Value at 31 July 2018	Value at 31 July 2017	Value at 31 July 2016
	£000	£000	£000
Equities	11,308	11,968	10,890
Bonds	3,198	2,360	2,269
Property	1,984	1,854	1,966
Cash	753	674	-
Total	17,243	16,856	15,125

The following amounts at 31 July were measured in accordance with the requirements of FRS 102:

	Value at 31 July 2018	Value at 31 July 2017	Value at 31 July 2016
	£000	£000	£000
Total market value of assets	17,243	16,856	15,125
Present value of liabilities	(16,825)	(17,619)	(15,768)
Surplus/(deficit) in the scheme	418	(763)	(643)

The University paid contributions to the fund at 24.5% of pensionable salaries to 31 March 2018. From 1 April 2018 the University paid contributions to the fund at 36.2% of pensionable salaries and expects to make similar contributions over the next year.

Additionally the University has paid £250k of deficit contributions between 1 August 2017 and 31 July 2018 (2017: £243k).

	2018	2017
	£000	£000
Amount charged to operating surplus:		
Staff costs:		
Current service cost	(182)	(146)
Total operating charge	(182)	(146)
Interest and other finance costs:		
Expected return on scheme assets	419	374
Interest on scheme liabilities	(433)	(388)
Total net return	(14)	(14)
Total SPF pension cost recognised in the income and expenditure account	(196)	(160)
	2018	2017
	£000	£000
Other Comprehensive Income (OCI):		
Actual return on assets excluding amounts included in net interest	175	1,657
Actuarial gain/(loss) on scheme obligations	837	(1,963)
Actuarial gain/(loss) recognised in the OCI for SPF	1,012	(306)

The cumulative gain recognised in the Other Comprehensive Income to date is £0.2m (2017: £0.8m loss).

NOTES TO THE FINANCIAL STATEMENTS

(continued)

for the year ended 31 July 2018

24 Pension schemes (continued)

b) SPF (continued)

	2018 £000	2017 £000
Movements in present value of scheme assets during the year:		
Assets at beginning of the year	16,856	15,125
Movement in year:		
Interest income	419	374
Actual return on assets excluding amounts included in net interest	175	1,657
Contributions by the employer	365	346
Contributions by the scheme participants	27	27
Benefits paid	(599)	(673)
Assets at the end of the year	17,243	16,856

	2018 £000	2017 £000
Movements in present value of scheme liabilities during the year:		
Liabilities at beginning of the year	17,619	15,768
Movement in year:		
Current service cost	182	146
Interest cost	433	388
Actuarial (gain)/loss	(837)	1,963
Contributions by the scheme participants	27	27
Benefits paid	(599)	(673)
Liabilities at the end of the year	16,825	17,619

Details of the experience gains and losses for the years to 31 July:	2018 £000	2017 £000	2016 £000	2015 £000	2014 £000
Fair value of scheme assets	17,243	16,856	15,125	13,578	13,311
Present value of scheme liabilities	(16,825)	(17,619)	(15,768)	(15,062)	(16,159)
Surplus/(deficit) in the scheme	418	(763)	(643)	(1,484)	(2,848)

c) USS	Consolidated		University	
	2018 £000	2017 £000	2018 £000	2018 £000
USS deficit reduction plan provision				
At beginning of the year	(54,763)	(51,987)	(54,539)	(51,987)
Utilised in the year	3,709	3,664	3,695	3,652
Revaluation/additions in the period	(201)	(5,511)	(204)	(5,279)
Unwinding of the discount rate	(1,046)	(929)	(1,042)	(925)
USS deficit reduction plan provision at 31 July	(52,301)	(54,763)	(52,090)	(54,539)

The Universities Superannuation Scheme (USS) is a UK-wide scheme which throughout preceding periods was a defined benefit only pension scheme. With effect from 1 October 2016, the scheme changed from defined benefit only to a hybrid pension scheme, providing defined benefits (for all members) as well as defined contribution benefits. The assets of the scheme are held in a separate trustee-administered fund. Because of the mutual nature of the scheme, the schemes' assets are not 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 is required by Section 28 of FRS 102, Employee Benefits, accounts for the scheme as a defined contribution scheme. As a result, the amount charged to the income statement in respect of the above, represents the contributions payable to the scheme in the year.

NOTES TO THE FINANCIAL STATEMENTS

(continued)

for the year ended 31 July 2018

24 Pension schemes (continued)

c) USS (continued)

On conversion to FRS 102, the University has recognised a provision for the present value of the deficit reduction plan for the USS scheme. The discount rate used by the University to calculate the provision was 2.21% in 2018 (2017: 1.91%). The University is required to contribute a specified percentage of payroll costs to the pension scheme to fund the benefits payable to the University's employees, this percentage is 18% (2017: 18%). The total USS pension cost for the University was £47.1m (2017: £44.5m). This includes £4.1m (2017: £3.9m) of outstanding contributions at the balance sheet date. The latest available full actuarial valuation of the scheme was at 31st March 2014 (the valuation date), which was carried out using the projected unit method. Since the institution cannot identify its share of scheme assets and liabilities, the following disclosures reflect those relevant for the scheme as a whole.

The University's subsidiary Kelvin Nanotechnology Limited recognised its provision for the present value of the deficit reduction plan for the USS scheme in its individual financial statements and this provision is included in the University consolidated position.

The 2014 valuation was the third valuation for USS under the scheme-specific funding regime introduced by the Pensions Act 2004, which requires schemes to adopt a statutory funding objective, which is to have sufficient and appropriate assets to cover their technical provisions. At the valuation date, the value of the assets of the scheme was £41.6 billion and the value of the scheme's technical provisions was £46.9 billion, indicating a shortfall of £5.3 billion. The assets were therefore sufficient to cover 89% of the benefits which had accrued to members after allowing for expected future increases in earnings.

As noted in more detail in the principal risks and uncertainties section the 2017 actuarial valuation of USS has been undertaken but this has not yet been formerly completed. The 2017 valuation has set out the challenges currently facing the scheme and the likelihood of significant increases in contributions being required to address these challenges.

Defined benefit liability numbers for the scheme have been produced using the following assumptions:

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

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

	2018	2017
Mortality base table	<u>Pre-retirement:</u> 71% of AMC00 (duration 0) for males and 112% of AFC00 (duration 0) for females.	98% of SAPS S1NA "light" YOBS unadjusted for males.
Mortality base table	<u>Post-retirement:</u> 96.5% of SAPS S1NMA "light" for males and 101.3% of RFV00 for females.	99% of SAPS S1NA "light" YOBS with a -1 year adjustment for females.
Future improvements to mortality	CMI_2016 with a smoothing parameter of 8.5 and a long term improvement rate of 1.8% p.a. for males and 1.6% p.a. for females.	CMI_2014 with a long term rate of 1.5% p.a.

NOTES TO THE FINANCIAL STATEMENTS

(continued)

for the year ended 31 July 2018

24 Pension schemes (continued)

c) USS (continued)

Use of these mortality tables reasonably reflects the actual USS experience. To allow for further improvements in mortality rates the CMI 2014 projections with a 1.5% pa long term rate were also adopted. The current life expectancies on retirement at age 65 are:

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

Existing benefits	2018	2017
Scheme assets	£63.6bn	£60.0bn
Total scheme liabilities	£72.0bn	£77.5bn
FRS 102 total scheme deficit	£8.4bn	£17.5bn
FRS 102 total funding level	88%	77%

d) STSS

Former members of the academic staff of St Andrew's College of Education are covered by the Scottish Teachers Superannuation Scheme (STSS). STSS is a Scottish-wide scheme which was a defined benefit only pension scheme and until 31 March 2016 was contracted out of the State Second Pension (S2P). Under the definitions set out in FRS 102, the STSS is a multi-employer scheme. The University of Glasgow is unable to identify its share of the underlying assets and liabilities of the scheme. Accordingly, the University has applied the exemption in FRS 102 and has accounted as if it were a defined contribution scheme. An actuarial assessment was carried out at 31 March 2012. The Scheme had total liabilities, for service to the 31 March 2012 of £20.9 billion and notional assets of £19.6 billion giving a notional past service deficit of £1.3 billion.

With effect from 1st April 2014 employees' regular contributions moved to a tiered system with a minimum amount of 6.4% of pensionable salary and a maximum amount of 12.4% of pensionable salary. The total pension cost for the institution was £64k (2017: £69k). This includes £5k (2017: £6k) of outstanding contributions at the balance sheet date. Employees' regular contributions were £41k (2017: £44k) and £9k (2017: £8k) in respect of additional voluntary contributions.

e) NHSSS

NHS Superannuation Scheme (Scotland) (NHSSS) is a Scottish-wide scheme which throughout the current and preceding periods was a defined benefit only pension scheme and until 31st March 2016 was contracted out of the State Second Pension (S2P). The scheme is an unfunded multi-employer defined benefit scheme. It is accepted that the treatment can be as a defined contribution scheme as the University of Glasgow is unable to identify its share of the underlying assets and liabilities of the scheme. An actuarial assessment was carried out at 31 March 2012. The Scheme had total liabilities, for service to the 31 March 2012 of £28.2 billion and notional assets of £26.8 billion giving a notional past service deficit of £1.4 billion. As the scheme is unfunded there can be no surplus or shortfall. Pension contribution rates will be set by the schemes actuary at a level to meet the cost of pensions as they accrue.

Financial assumptions at 31 March 2012

Discount rate	3% pa real; 5.06% pa nominal
Pension increase	2% pa
Long term salary growth	4.75% pa, 2.75% pa in excess of assumed CPI

The total pension cost for the University was £767k (2017: £724k). This includes £66k (2017: £65k) of outstanding contributions at the balance sheet date. Employees' regular contributions were £563k (2017: £535k) and £7k (2017: £8k) in respect of additional voluntary contributions.

NOTES TO THE FINANCIAL STATEMENTS

(continued)

for the year ended 31 July 2018

24 Pension schemes (continued)

f) MRCPS (continued)

Former members of staff of the Medical Research Council (MRC) transferred to the University of Glasgow under TUPE regulations are covered by the MRCPS, which is a multi-employer defined benefits scheme. Under the definitions set out in FRS 102, the MRCPS is a multi-employer scheme. The University of Glasgow is unable to identify its share of the underlying assets and liabilities of the scheme. Accordingly, the University has applied the exemption in FRS 102 and has accounted for the scheme as if it were a defined contribution scheme. The following information is available on the scheme:

The MRC operates a funded pension scheme (MRCPS) providing benefits based on service and final pensionable pay at the normal retirement age of 65. The scheme is a defined benefit scheme that prepares its own scheme statements. Benefits accrue at the rate of 1/80th of pensionable salary for each year of service. In addition a lump sum equivalent to three years' pension is payable on retirement. Members pay contributions of between 6.0% and 6.5% pensionable earnings to the Scheme. In addition to the principal section, the supplementary benefits section exists to provide additional benefits in the event of ill-health retirement or death-in-service. It is solely funded by members' contributions.

The required MRCPS contribution rate is assessed every three years in accordance with advice of the Government Actuary. The latest actuarial assessment of the University section of the MRCPS was at 31 December 2016 at which showed a surplus of £21m and the market value of the assets of the MRCPS was £66.9m, an ongoing funding level of 146% under the statutory funding objective. The actuarial value of the assets was sufficient to cover 146% of the benefits that had accrued to members after allowing for expected future increases in earnings. Triennial valuations are conducted under the Pensions Act 2004 on a scheme specific funding basis. The MRCPS Trustees seek to maintain sufficient assets in the scheme to avoid section 75 debts arising in the future and therefore use an additional funding objective. Liabilities are assessed on a buy-out basis and compared to existing assets. Under the additional funding objective at 31 December 2016 the University section showed a surplus of £1.3m, an ongoing funding level of 102%, so the objective was met at the valuation date.

From 1 August 2017 to 31 March 2018 the MRCPS employers' contribution rate was 14.9%. From 1 April 2018 the rate increased to 15.9%.

The table below shows the main financial assumptions adopted for the valuation as at 31 December 2016.

Main financial assumptions	Statutory funding objective	Additional funding objective
Investment return/discount rate	2.6%	1.9%
Earnings increases (long term) + promotional scale	4.1%	5.0%
RPI	3.5%	3.5%
CPI	2.6%	3.0%
Pension increases	2.6%	3.0%
Discount rate net earnings increase	-1.5%	-3.1%
Discount rate net pension increases	0.0%	-1.1%

The total pension cost for the University was £335k (2017: £376k). This includes £28k (2017: £31k) of outstanding contributions at the balance sheet date. Employees' regular contributions were £148k (2017: £174k) and £22k (2017: £27k) in respect of additional voluntary contributions.

g) NEST

NEST is a defined contribution scheme that is not-contracted out of the State Second Pension (S2P) and covers qualifying workers under the NEST Autoenrol section of the scheme, and a number of support staff who had previously opted-out of UGPS under the NEST contractual section of the scheme. From 1st April 2014 it covers new members of staff who would previously have been eligible for UGPS. NEST has been set up by the government to assist employers in fulfilling their obligations under the Auto-Enrolment regulations. The total pension cost for the University was £1.2m (2017: £992k). This includes £113k (2017: £91k) of outstanding contributions at the balance sheet date. Employees' regular contributions were £508k (2017: £408k).