



University
of Glasgow

**Reports and
Financial Statements**
for the year to 31 July 2015

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OPERATING AND FINANCIAL REVIEW for the year ended 31 July 2015

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 2015 ("2014-15").

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 and is in the top 1% of the world's universities today.

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. The University educates more than 17,700 undergraduate students, 7,100 postgraduate students and over 2,500 adult learners. Finding community within diversity, the University attracts students from more than 100 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 Further and Higher Education Funding Council ("Scottish Funding Council"). 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.

A Global Vision

In 2010 the University published *Glasgow 2020 – A Global Vision*, which set out the vision of the University, which is to enhance its position as one of the world's great, broad based, research intensive universities. The University's mission is to undertake world leading research and to provide an intellectually stimulating learning environment, thus delivering benefits to culture, society and the economy. The strategy breaks down into three main themes which are as follows:

Focus - The University will focus on the needs of students and research funders and will ensure that investments align with strategic priorities. The University will also streamline its systems and processes to remove duplication of effort and minimise bureaucracy. When combined, these actions will lead to a sustainable academic profile;

Global Reach - The University will extend its global reach to become a more international university: developing a multicultural community of students and staff; providing an educational experience that prepares students for global, political and social environments; developing international alliances and partnerships to build capability and capacity in research, education and enterprise; introducing postgraduate degree programmes that have demand in the international market; and raising the profile and reputation of the University globally;

Multi-disciplinarity – The University will foster multi-disciplinary activity through the support and development of networks of researchers, creating world-leading thematic multidisciplinary research institutes aligned to the strategic needs of the University's research funders. The University will also establish innovative, interdisciplinary degree programmes, primarily at the postgraduate level, that combine elements from the breadth of the University's research strengths.

The objectives have been pursued over the 2010-15 period covered by *Glasgow 2020*, whilst also ensuring that the University remains in a financially sustainable position to allow capacity for investment for the future.

Performance during the year

The strategic plan identifies 20 key performance indicators (KPIs) to assess performance over the 2010-15 strategic period. The KPIs encompass research, the student experience, internationalisation, staff, finance, and the estate.

As we reach the end of the 2010-15 planning cycle it is noticeable that progress against the plan's KPIs has been strong: eighteen of the KPIs have improved since 2010. Internationalisation has been a particular area of strength in the past five years, with the international student population increasing by 90% and international research income more than doubling. The University has also increased its postgraduate taught student population by a third and has made encouraging gains in the quality of research output, student entry tariff and the quality of the estate, while also consolidating the financial position.

Student satisfaction at Glasgow remains towards the upper end of the sector and the 2015 National Student Survey (NSS) placed the University joint first in Scotland and third in the Russell Group. Satisfaction scores of postgraduate research students have increased and although international student

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satisfaction has dropped very slightly it remains towards the top end of the University's peer group.

The University's international league table position has improved in recent years with Glasgow now placed 62nd in the QS World University Rankings, 76th in the Times Higher Education league table, and at its highest ever placing in the Shanghai Jiao Tong global tables. Glasgow's position in the domestic league tables remains relatively static, being placed between 24 and 30 in the three main UK tables (The Guardian, The Independent, The Sunday Times/Times).

Teaching

The University's commitment to teaching and learning excellence has been demonstrated by the results of the 2015 National Student Survey (NSS), which showed 90% satisfaction among final year students. This ranks the University 13th equal amongst the UK's universities. Impressively, the University was ranked first or joint first in overall satisfaction in 6 of the 55 subjects surveyed and was in the top 10 of a further 9. This result is due to the commitment of the University's staff and the impact of significant investment made in the learning environment. Whilst this result is pleasing, the University is not complacent; the headline 90% satisfaction figure is a summary of a complex range of issues important to students, as reflected in the 22 questions contained in NSS. The University continues to work on improving the student experience, particularly on providing assessment and feedback and in developing the teaching infrastructure.

The University met its Scottish domiciled and EU undergraduate recruitment target for 2014-15 whilst increasing the average qualification tariff of the students entering the University. The University now has the 10th highest entry tariff in the Russell Group.

The change in the undergraduate fee regime within the four countries of the UK in 2012-13 meant that students from England, Northern Ireland and Wales were removed from the SFC Scottish Domiciled/EU recruitment targets and could be recruited to the University in unrestricted numbers. After a small drop in numbers of students entering from the rest of the UK in 2012-13, recruitment in 2013-14 and 2014-15 was very healthy and exceeded target. Applications for 2015-16 entry indicate that this trend will continue.

Taught postgraduate numbers grew in 2014-15 by 17%.

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.

Research

The University continues to win competitive research grants and 2014-15 saw the University's highest ever research order book, beating the previous high point set in 2013-14. Growth is particularly strong in multidisciplinary research areas and in large grants. This growth has been facilitated by recent investments in research facilities and the recruitment of research leaders. In addition, studentship and fellowship schemes, many of which are supported by external fundraising, continue to attract research students and early career researchers to the University.

Applications for research postgraduate study commencing in 2015-16 grew for the fifth year in a row.

The University's selective investment in research leaders and early career researchers also led to a greatly improved performance in the 2014 Research Excellence Framework

assessment (REF2014) when compared with the previous exercise conducted in 2008. The REF2014 outcomes 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 'internationally excellent' or better rose from 56% in 2008 to 81% in 2014. The percentage of research judged to be 'world leading' – the top category – has doubled to 31%.

Plans have been articulated to ensure these improvements are built upon towards the next assessment exercise expected in 2020.

Internationalisation

The University has seen significant year on year increases in entrants by students from outside the EU over the past few years. There continues to be strong growth in applications for entry in 2015-16, reflecting the efforts put into marketing and the promotion of a wide range of international activities over the past four to five years.

The University continues 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 continue to grow.

The University's international student community has shown its satisfaction with the quality of education and support available at the University, recording very impressive results in the 2015 International Student Barometer. According to the survey, the University's international students remain amongst the most satisfied at UK universities.

In recent years the University has established a number of partnerships to enable students to gain University of Glasgow degrees overseas whilst being taught by University of Glasgow staff. These partnerships are with: Singapore Institute of Technology (Singapore) offering undergraduate degrees in Engineering and Computer Science; UESTC (Chengdu, China), undergraduate Engineering; and Nankai University (Tianjin, China), postgraduate degrees in Environmental Management, International Relations, and Urban and Regional Planning. In academic year 2014-15 there were over 1000 FTE students studying for Glasgow Degrees in these locations. These numbers are expected to double by 2016-17 and talks continue with all partners to expand the range of degrees on offer.

Outcome Agreements

During 2012-13, in return for the increased financial settlement to the HE sector, the Scottish Government indicated that it expected the SFC to ensure that improved outcomes are delivered by universities across the following areas: retention, articulation from college, accelerated degrees, access to university for people from the widest possible range of backgrounds, pattern and spread of provision, efficiency in the learning journey and of institutions, international competitiveness in research, University/industry collaboration, and entrepreneurial and employability skills of graduates.

In response, the SFC implemented Outcome Agreements with each university. Each outcome agreement contains targets that will enable the SFC to detail and report improvements back to the Scottish Government. The University's 2014-15 outcome agreement focussed on the following areas: knowledge exchange, research, skills growth, coherent provision and widening access. The University met all of the targets contained within the outcome agreement.

OPERATING AND FINANCIAL REVIEW Continued

Income and expenditure

The University enjoyed another successful year financially as follows:

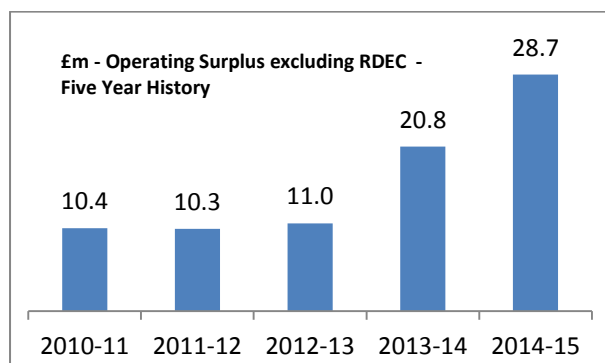
	2015 £000	2014 £000
Total income	542,935	511,341
Total expenditure	(514,209)	(490,527)

Surplus after depreciation of tangible fixed assets at valuation before corporation tax and non-operating exceptional items	28,726	20,814
Add back operating exceptional items; R&D tax credits (RDEC) and deferred capital grants released	26,384	-
Surplus after depreciation of tangible fixed assets at valuation before corporation tax and non-operating exceptional items	55,110	20,814

Surplus after depreciation of tangible fixed assets at valuation before corporation tax and non-operating exceptional items	55,110	20,814
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The operating results continue the positive trend set in recent years following a decade of operating deficits.

The five year operating surplus after depreciation and before non operating exceptionals history is as follows:



Total income increased by 11.3% in the year with the main movements as follows:

- Income from the Scottish Funding Council rose by 2.6%;
- Income from tuition fees and education contracts grew by 8.1%. The largest movement was in overseas students, with income growing by 8.7% (2013-14: 28.4%);
- Income from research grants and contracts grew by 29.5% (2013-14: 4.3%), of which 15.3% (£20.4m) represents three years' worth of R&D tax credits (RDEC). Following the introduction of legislation in the Finance Act 2013, large companies were allowed to claim R&D relief as a tax credit of 10% of qualifying expenditure. A proportion of the University's activities were identified as qualifying R&D in accordance with Chapter 6A, Corporation Taxes Act 2009. RDEC tax credits have been incorporated in the current year covering the period 1 April 2013 to 31 July 2015;
- Other income increased by 1.1%;
- Endowment and investment income increased by 26.4%. This was primarily due to FRS 17 net interest received of £5.4m (2013-14: £3.0m).

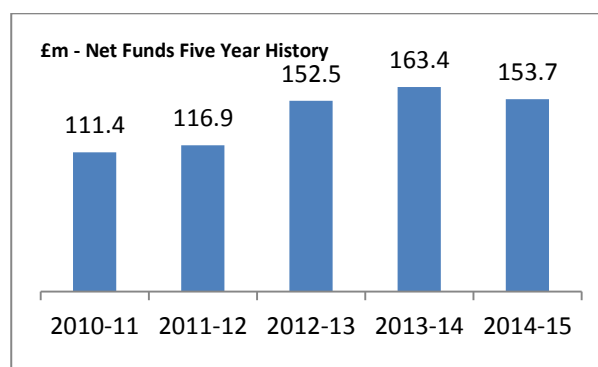
Total expenditure increased by 4.8% in the year with the main movements as follows:

- Staff costs increased by 3.7%. Headcount rose by 1.5% in the year.
- Other operating expenses increased by 5.9%. The largest growth related to an increase of 22.2% in relation to research grants and contracts, consistent with the income growth in this area, and agency costs, which rose by 45.6% in the year.
- Included within the corporation tax expense of £4.5m is £4.4m relating to the one off RDEC income of £20.4m.

Net funds and cash flow

Net funds decreased in the year by £9.6m to a closing balance of £153.7m at 31 July 2015.

The five year net funds history is as follows:



The main cash inflows were from operating activities (+£7.5m) and return on investments and servicing of finance (+£7.5m).

The net inflow from operating activities represents the operating surplus of £50.6m offset by an outflow of £30.5m related to a rise in working capital, primarily due to an increase in debtors, which includes the RDEC cash receipts due at the year end and the pension cost of £8.7m.

The main cash outflow was on capital expenditure for the year where investment in the estate continued, including £8m investment in a new heating system for part of the Estate. Capital expenditure for the year was £64.6m, which was £15.8m higher than 2013-14. Capital commitments authorised but not yet contracted decreased by £27.6m in the year to £38.2m at the balance sheet date.

FRS 17 pension liability

The FRS 17 pension liability for the University of Glasgow Pension Scheme (UGPS) and the Strathclyde Pension Fund (SPF) has increased in the year from £37.7m to £49.8m. In July 2014 the University made an initial deficit recovery contribution of £30.0m (UGPS) and an additional contribution of £2.5m in March 2015. The University expects to continue to make additional contributions of £2.5m per year, increasing by 2.5% per annum. The underlying pension assets increased during the year, however, this was offset by an increase in liabilities due to a reduction in the discount rate from 4.1% to 3.5%.

Investment performance

In the past financial year, the value of global stock markets has continued on an upwards trajectory, although there has been a sharp falling off in the latter few months. The strong performance in the early part of the year is reflected in the market value of investments, which rose by £4.4m compared to £2.1m in 2013-14. New bequests received during the year

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increased from £0.9m to £1.3m. Overall, the value of endowment asset investments increased from £157.8m to £164.3m. The performance of the fund managers continues to be monitored by the Investment Advisory Committee against targets set by the committee and is reviewed regularly.

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 2015 the University's outstanding payments represented approximately 15 days' purchases. This is a decrease from 17 days in 2014.

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 fixed assets and working capital. This enables the Finance Committee to consider any future borrowing requirements in a timely manner.

The University's 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. 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. This is for a maximum of ninety five days per deposit. The University is exposed to changing interest rates, although the exposure is viewed as low given that interest income accounts for less than 0.5% of the total income of the University in 2014-15.

Accounting policies

The University financial statements have been prepared in accordance with the Statement of Principal Accounting Policies as set out on pages 12 to 14. The principal accounting policies are in accordance with the Statement of Recommended Practice for Higher Education ("SORP") issued by Universities UK in 2007. The format of the financial statements reflects the format as required by the 2007 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 and potential members of staff, 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 fairly and equally.

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. In 2014/15 Court also committed to a phased reduction in the University's direct investment in the fossil fuel extraction industry. The first phase of that divestment strategy is now being implemented, involving a reduction of 25% over the next four years. This 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.

Future developments and principal risks and uncertainties

The last four years has seen growth in student numbers, particularly from outside the EU and for taught postgraduate programmes. This has led to accelerated investment in teaching infrastructure and appointment of academic and support staff aimed at continuing to improve the student experience and maintain the University's position at the top end of student satisfaction surveys. The investment plans have, to date, been implemented as expected and will continue in the next financial year.

The University successfully negotiated its Outcome Agreement for 2015-16 with the SFC. The Outcome Agreement contains targets that will be monitored by the SFC over the next few years. Plans are in place to ensure that the targets are met, however, progress will be kept under review and additional investment may be required in some areas to ensure that they can be delivered.

From the academic year 2012-13 Scottish Universities were able to charge students from England, Northern Ireland and Wales up to £9,000 a year. The University of Glasgow charged fees of £9,000 per year for medicine, dentistry and veterinary medicine and £6,750 per year for all other subjects. From 2014-15 the University charged £9,000 a year for the first three years for all subjects, with the fourth year free. This change did not impact negatively on recruitment; in fact recruitment grew slightly. However, the fees regimes in the four home countries and their impact on student recruitment patterns continue to cause uncertainty for financial projections across the higher education sector. From 2015-16 universities in England will have their student number cap removed. This will lead to further uncertainty in the market. The impact on the number of English students wishing to study in Scotland is unclear, but it may have a negative financial impact on Glasgow. Early indications are that the University is performing strongly in the UK market; however, we continue to monitor recruitment patterns, particularly in comparison with peer institutions, and will take action where necessary.

In 2013 the University completed the acquisition of the 14 acre Western Infirmary site adjacent to the main Gilmorehill campus

OPERATING AND FINANCIAL REVIEW

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in the west end of Glasgow. The site currently houses an operational general hospital and was immediately leased back to the Greater Glasgow and Clyde Health Board (GGCHB). The GGCHB will vacate the site in April 2016. The site will eventually provide space to enable the whole academic estate to be reconfigured and made fit for purpose 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. Initial proposals for development are being developed within a total funding envelope for the campus redevelopment of £600m. A new combined heat and power system is currently being installed, which will significantly reduce the University's carbon footprint and utility bills. The system is expected to be fully operational by March 2016 and has been designed to be extendable into the Western Infirmary site as it is developed. Decisions on investment in individual building projects on the site, made in the context of a Court-approved and City-adopted Campus Development Framework, are expected to be taken towards the end of the 2015-16 financial year. It is also important that, whilst the redevelopment of the campus is being planned, investment is maintained in order to ensure that current business can continue.

Recent income growth has depended upon double digit growth in students from outside the EU. Maintaining this growth against a background of increased international competition, regulations of the UK Border Agency and the UK Government's desire to restrict immigration is a significant risk. This risk was also reported last year; however, international student numbers grew by nearly 20%.

Staffing costs are likely to cause significant pressure in the near to mid-term as cost of living and incremental pay rises outstrip the expected increase in income from the SFC. A comprehensive spending review is expected in Scotland towards the end of 2015 and real terms increases in Government funding of universities is looking increasingly unlikely. In addition, the deficits in the pension schemes to which University staff belong remain volatile. A payment and deficit recovery plan has been agreed between the University and the Trustees of the University of Glasgow Pension Scheme and contributions to the Universities Superannuation Scheme (USS) will increase from April 2016. There will also be increases in National Insurance payments as the NI contracted out rate is abolished.

A new strategic plan with an updated set of KPIs was adopted by Court in June 2015. This new strategy, *Inspiring People, Changing the World*, when coupled with the substantial development of the main campus, places the University in an exciting position of being able to achieve its ambition of being a World-Class, World-Changing University. The previous strategic plan *Glasgow 2020 – A Global Vision* enabled the University to make great strides in its performance. This new strategic plan sets out the University's ambition to build on the University's already strong academic and financial position achieved through *Glasgow 2020 – A Global Vision* and become even better.

Summary

The University has made good progress in recent years towards its strategic ambitions. The external environment, including below inflation increases in funding from the SFC, the changing fee regime for UK students, increasing pension deficits and the UK Government's desire to further restrict immigration, 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 record surplus excluding one off RDEC income in 2014-15 and an operating surplus for the tenth consecutive year, whilst also maintaining its healthy net funds balance.

The University's Senior Management Group assesses the strategic risks that the University faces at each monthly management meeting and identifies and executes appropriate mitigation 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 new strategic plan.

Professor Anton Muscatelli
Principal

Ken Brown
Convener of Finance Committee

Robert Fraser
Director of Finance

CORPORATE GOVERNANCE STATEMENT for the year ended 31 July 2015

Introduction

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 revised Combined Code on Corporate Governance issued by the Financial Reporting Council in 2008. In addition due regard has been taken 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.

Statement of Combined Code compliance

In the opinion of the members of Court, the University complies with all the provisions of the Combined Code in so far as they apply to the higher education sector, and it has complied throughout the year ended 31 July 2015.

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. 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 Court believes it has but 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 accountable 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 http://www.gla.ac.uk/media/media_293602_en.pdf.

Court has 25 members and, in financial year 2014/15, 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, five assessors elected by the General Council, seven assessors elected by Senate, two employee representatives, the President of the Students' Representative Council, one assessor elected by the Students' Representative Council, and five independent members appointed by Court. Court has proposed certain changes to this composition in order to address the requirements of the 2013 Scottish Code of Good HE Governance. The changes are intended to put in place a clear majority of independent members on Court: i.e. members who are external and

independent of the University, and to improve Court's ability to ensure an appropriate balance of skills and expertise among its members. The proposals, which were approved by the Privy Council in July 2015, will have the effect of: reducing from five to two the number of General Council assessors, reducing from seven to six the number of Senate assessors, and increasing from five to nine the number of independent members appointed by Court. The Rector is the 'ordinary president of Court' in terms of the 1858 Act. Court's standing orders reflect its agreement that the Rector shall chair such parts of Court meetings as Court may decide, and that the Convenor of Court shall chair the other parts of those meetings. When vacant, the position of Convenor of Court is advertised publicly and an appointment is made by Court for a period of four years. Meetings of Court are held five times a year. The future composition of Court may be affected by legislation on Higher Education Governance which will be considered by the Scottish Parliament in the course of 2015/16.

Court conducts its business through seven committees, each having formally constituted terms of reference.

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 having 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. The Committee is chaired by Ken Brown, an independent member of Court and normally meets five times a year.

The **Audit 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 is chaired by Paul Brady, an independent chair and normally meets four times a year, with the University's external and internal auditors in attendance.

The **Remuneration Committee** makes recommendations to Court on the process of determining salary awards for senior staff and will determine the Principal's remuneration in the absence of the Principal. Details of the remuneration of senior post-holders for the year ended 31 July 2015 are set out in note 6 to the financial statements. The Committee is currently chaired by Ken Brown, an independent member of Court and meets at least once a year.

The **Human Resources Committee** develops policies required to implement the University's human resources strategy and will make recommendations to Court thereon. The Committee will also review the implementation of policy and raise awareness throughout the University of the importance that senior management place on human resource issues. The Committee is chaired by an independent member of Court (position currently vacant) and normally meets five times a year.

The **Nominations Committee** makes recommendations to Court on the appointment of independent members appointed by Court and on the membership and Convenor 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. The Committee is chaired by David Ross, the Convenor of Court and normally meets two or three times a year.

CORPORATE GOVERNANCE STATEMENT

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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 is chaired by Margaret Morton, an independent member of Court and 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 is chaired by the Secretary of Court David Newall and normally meets 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

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 meets five times per year. The future composition of Senate may be affected by legislation on Higher Education Governance which will be considered by the Scottish Parliament in the course of 2015/16.

The General Council

The General Council comprises the graduates of the University and has a statutory right to comment on matters which affect the well-being and prosperity of the University.

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 and College resource officers. 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 Vice Principal for Strategy and Resources and senior staff from the Finance Office.

The Audit 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 Committee. Management is responsible for the implementation of agreed audit recommendations and the internal auditors undertake

periodic follow-up reviews to ensure that such recommendations have been implemented. The Audit Committee considers 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 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 Committee.

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 2015 and up to the date of approval of the annual reports and financial statements.

Going concern

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

David CH Ross
Convener of Court
16 December 2015

STATEMENT OF THE 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 2007, and with other relevant accounting standards (United Kingdom Generally Accepted Accounting Practice). 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 with 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;
- an Internal Audit service whose annual programme is approved by the Audit Committee.

The Audit 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 2015 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.

David Newall
Secretary of Court

On behalf of Court
16 December 2015

MEMBERSHIP OF COURT

Members of Court who served during the year to 31 July 2015 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
The Rector			
Mr Edward Snowden	(Mar 2017)		
The Principal and Vice-Chancellor			
Professor Anton Muscatelli	(Sep 2019)	(FC) (HRC) (EC) (NC) (RC)	
The Chancellor's Assessor			
Mr Murdoch MacLennan	(Dec 2017)		*
Assessor of City of Glasgow Council			
Councillor Pauline McKeever	(May 2017)		*
General Council Assessors			
Mr David Ross	(Jul 2016)**	(FC) (RC) (NC)	*
Mr David C Anderson	(Jun 2015)	(HRC) (RC)	*
Mr Brian McBride	(Jul 2016)	(RC)	*
Dr Morag Macdonald Simpson	(Jul 2018)	(HRC)	*
Ms Lesley Sutherland	(Jul 2018)	(AC)	*
Senate Assessors			
Professor George Baillie (from Oct 2014)	(Dec 2015)	(HRC)	
Professor Lindsay Farmer (from Oct 2015)	(Jul 2019)	(HRC)	
Professor Christine Forde	(Jul 2015)	(HRC)	
Dr Marie Freel	(Oct 2014)	(EC)	
Dr Carl Goodyear (from Oct 2014)	(Jul 2018)	(FC)	
Professor Nicholas Jonsson	(Aug 2014)	(HRC)	
Professor Karen Lury	(Jul 2017)	(EC)	
Dr Duncan Ross	(Jul 2017)	(FC) (NC)	
Dr Donald Spaeth	(Jul 2015)	(HRC) (NC)	
Professor Paul Younger (from Nov 2014)	(Jul 2018)	(EC)	
Employee Representatives			
Mr David W Anderson	(Jan 2018)		
Ms Margaret Anne McParland	(Jul 2018)		
Co-opted Members of Court			
Mr Graeme Bissett	(Dec 2017)	(FC)	*
Ms Heather Cousins	(Mar 2018)	(AC) (NC)	*
Mr Ronald Mercer (from Nov 2015)	(Oct 2019)		*
Ms June Milligan (from Nov 2015)	(Oct 2019)		*
Mr David Milloy	(Dec 2017)	(EC)	*
Mr Ken Brown	(Dec 2017)	(FC) (RC)	*
Ms Margaret Morton	(Dec 2017)	(EC) (FC)	*
President of the Students' Representative Council			
Ms Breffini O'Connor	(Jun 2015)	(FC) (EC) (NC)	
Mr Liam King (from Jul 2015)	(Jun 2016)	(FC) (EC) (NC)	
Assessor of the Students' Representative Council			
Mr Donald Mackay	(Oct 2014)		
Mr Marvin Karrasch (from Nov 2014)	(Oct 2015)		
Ms Morag Deans (from Nov 2015)	(Oct 2016)		
Secretary of Court			
Mr David Newall		(EC) (HRC) (NC) (HSWC)	

The Committees of Court, as identified in the Corporate Governance statement are:

Finance Committee (FC);
 Estates Committee (EC);
 Human Resources Committee (HRC);
 Audit Committee (AC);
 Remuneration Committee (RC);
 Nominations Committee (NC);
 Health, Safety and Wellbeing Committee (HSWC).

**Mr David Ross is also Convenor of Court, an appointment that will run until July 2016.

INDEPENDENT AUDITORS' REPORT TO THE UNIVERSITY COURT OF THE UNIVERSITY OF GLASGOW

We have audited the financial statements of the University of Glasgow for the year ended 31 July 2015 which comprise the Statement of Principal Accounting Policies, Consolidated Income and Expenditure Account, the Consolidated Statement of Historical Cost Surpluses, Consolidated Statement of Total Recognised Gains and Losses, Consolidated and University Balance Sheets, Consolidated Cash Flow Statement and the Reconciliation of Net Cash Flow to Movement in Net Funds and the related notes 1 to 27. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the University Court of the University of Glasgow ("Court"), as a body, in accordance with the Financial Memorandum of the University; and in accordance with section 44(1)(c) of the Charities and Trustee Investment (Scotland) Act 2005 and regulations 10 of the Charities Accounts (Scotland) Regulations 2006 (as amended).. Our audit work has been undertaken so that we might state to the Court those matters we are required to state to them in an auditors' 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 Court as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the University Court and auditor

As explained more fully in the Statement of the Responsibilities of Court (set out on page 9), the Court is responsible for preparing the financial statements and for being satisfied that they give a true and fair view. We have been appointed as auditors under the Financial Memorandum of the University and also under section 44(1) (c) of the Charities and Trustee Investment (Scotland) Act 2005 and report in accordance with regulations made under that Act. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Group's and the University's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by Court; and the overall presentation of the financial statements.

We are also required to report to you whether, in our opinion, funds, from whatever source, administered by the University for specific purposes have, in all material respects, been properly applied to those purposes and managed in accordance with the terms and conditions attached to them and whether income has, in all material respects, been applied in accordance with the relevant legislation and with the Financial Memorandum with the Scottish Funding Council.

In addition, we read all the financial and non-financial information in the Operating and Financial Review, Corporate Governance Statement and Statement of the Responsibilities of Court to identify material inconsistencies with the audited financial statements and to identify any information that is

apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of affairs of the University and of the Group as at 31 July 2015 and of the surplus of the Group's income over expenditure and the Group's cash flows for the year then ended;
- have been properly prepared in accordance with the Statement of Recommended Practice: Accounting for Further and Higher Education;
- have been prepared in accordance with the requirements of the Charities and Trustee Investment (Scotland) Act 2005 and the Charities Accounts (Scotland) Regulations 2006 (as amended).

Opinion on other matters prescribed by applicable regulations

In our opinion:

- funds from the Scottish Funding Council, grants and income for specific purposes and from other restricted funds administered by the University have, in all material respects, been applied only for the purposes for which they were received; and
- income has, in all material respects, been applied in accordance with the Further and Higher Education (Scotland) Act 1992 and, where appropriate, with the Financial Memorandum with the Scottish Funding Council.

Matters on which we are required to report by exception

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

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

Ernst & Young LLP
Statutory auditor
Glasgow

16 December 2015

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

Basis of preparation

The financial statements have been prepared under the historic cost convention, modified to include listed investments at their market value, to incorporate certain land and buildings at a revalued amount and in accordance with both the Statement of Recommended Practice (SORP): Accounting for Further and Higher Education, and applicable Accounting Standards. The financial statements also conform to guidance published by the Scottish Funding Council. The following accounting policies have been applied consistently in dealing with the items that are considered material in relation to the financial statements.

Basis of consolidation

The consolidated financial statements consolidate the financial statements of the University of Glasgow, its subsidiary companies and unincorporated undertakings. 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 financial statements do not consolidate the results of the University of Glasgow students' unions due to the degree of their independence.

Income recognition

Funding council recurrent block grants are accounted for in the period to which they relate.

Tuition fee income is stated net of any discounts and is credited to the income and expenditure account 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.

Income from grants for sponsored research is included in direct relation to the extent of direct and indirect expenditure incurred on each project during the year.

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

Income from grants for earmarked purposes is only included to the extent of expenditure incurred on each project during the year.

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

An appreciation or depreciation in value arising on the revaluation or disposal of endowment assets is added to or subtracted from the funds concerned and accounted for through the balance sheet by debiting or crediting the endowment asset and crediting or debiting the endowment fund. The appreciation or depreciation is also reported in the statement of total recognised gains and losses.

Land and buildings

Land and buildings are stated at cost or valuation. Building costs include any internal costs associated with bringing the asset into use. Freehold land is not depreciated. Depreciation on buildings is provided using the straight line method to write off the cost or valuation of each property (other than freehold land) over its expected useful life within the range 10 years to 300 years.

Major Infrastructure plant is depreciated on a straight line basis over the estimated useful life up to a maximum of 50 years.

Assets under construction are not depreciated until they become available for operational use. On an annual basis a review of assets with an estimated life of over 50 years is performed to identify indicators of impairment. For new projects, depreciation is calculated on individual elements within the total cost, each regarded as having a differing useful life. On adoption of FRS 15, the University followed the transitional provision to retain the book value of land and buildings, which were revalued in 1997 and 1999, but not to adopt a policy of revaluation on these properties in the future.

Where buildings are acquired with the aid of specific grants, the grants are capitalised and depreciated. The related grants are credited to a deferred capital grant account and released to the income and expenditure account over the expected useful economic life of the related asset on a basis consistent with the depreciation policy.

Repairs and maintenance

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

Heritage assets

The University holds heritage assets across several locations including; the Hunterian Museum and Art Gallery, 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 Museum and Art Gallery, 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 30 "Heritage Assets", 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 £25k. Subsequent gains or losses on revaluation are recognised in the statement of total recognised gains and losses. 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 and expenditure account 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 10.

Equipment

Equipment costing less than £25k per individual item or group of related items is written off in the year of acquisition. Equipment over £25k per individual item or group of related items is capitalised and is stated at cost. Equipment assets are depreciated on a straight line basis over the estimated useful life of the asset at between three and ten years or the life of the project with which the equipment is associated, if that is shorter. Where equipment is acquired for research purposes and is funded with the aid of a specific grant then it is capitalised and

STATEMENT OF PRINCIPAL ACCOUNTING POLICIES

Continued

depreciated as above, except that the minimum value is £50k. Depreciation will commence in the year that the equipment is commissioned.

Donated equipment is capitalised at depreciated replacement cost at the date of receipt and is depreciated over the useful life of the asset.

Plant and machinery

Plant and machinery costing more than £25k per individual item or group of related items is capitalised and stated at cost. Plant and machinery is depreciated on a straight line basis over the estimated useful life of the asset at between 15 to 30 years.

Software

Software purchases costing less than £25k per individual item are written off in the year of acquisition. Where software is supplied with hardware, software is not normally split out from the hardware cost and is therefore depreciated in line with the policy on equipment. Software purchases over £25k per individual item are capitalised and stated at cost. The capitalised cost will include the cost of any internal time required to bring the software into use, where this can be clearly attributed. Software assets are depreciated on a straight line basis over the estimated useful life of the assets at between three and ten years or the life of the project with which the software is associated, if that is shorter. Depreciation will commence in the year that the software is commissioned.

Investments

Listed investments are stated at their market value on the balance sheet date. Unlisted investments, including investment in subsidiary holdings, are stated at the lower of cost or valuation. Short term investments are amounts held on deposit realisable more than one day. Cash on term deposit held on behalf of endowment funds is included in endowment asset investments and not within current assets. This reflects more accurately the restricted nature of cash held for endowment funds. Income from investments held for endowment funds is credited directly to these funds.

Endowments and donations

Charitable donations, where the full amount of the donation is to be expended and there is no restriction to a particular objective by the donor, are treated as income in the year in which they are received.

Donations received to be applied to the cost of a tangible fixed asset are shown on the balance sheet as a deferred capital grant. The deferred capital grant is released to the income and expenditure account over the same estimated useful life that is used to determine the depreciation charge of the associated tangible fixed asset.

Where the University receives a donation with the condition that the capital element must be maintained but the income thereon can be applied, the donation is accounted for as a permanent endowment. There are two main types:

- Restricted permanent endowment - the capital fund is maintained and the income must be applied to a particular objective specified by the donor;
- Unrestricted permanent endowment - the capital fund is maintained but the income thereon can be applied to the general purposes of the institution and is therefore unrestricted.

Where the trustees have the power of discretion to convert endowed capital into income, and the donation is restricted to a

particular objective specified by the donor, the donation is treated as a restricted expendable endowment.

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 and expenditure account in the year in which the expenditure is incurred.

Agency arrangements

Funds the University receives and disburses as 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 and expenditure account of the institution. The balances and movement on these funds are disclosed in note 24 to the financial statements.

Taxation

The University is a charity within the meaning of Part 1, chapter 2, s7 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 categories covered by section 287 CTA 2009 and sections 471, and 478-488 CTA 2010 (formerly s505 of ICTA 1988) or section 256 of the Taxation of Chargeable Gains Act 1992, to the extent that such income or gains are applied to exclusively charitable purposes.

The institution receives no similar exemption in respect of Value Added Tax. 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.

Cash flows and liquid resources

Cash flows comprise increases or decreases in cash. Cash includes cash in hand and at the bank, deposits repayable on demand and bank overdrafts but excludes any assets held as endowment asset investments. Liquid resources, being short term investments, include term deposits held as part of the University's treasury management activities but exclude any assets held as endowment asset investments.

Foreign currencies

Transactions denominated in foreign currencies are recorded at the rate of exchange ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated into sterling either at year end rates or, where there are related forward foreign exchange contracts, at contract rates. The resulting exchange differences are dealt with in the determination of income and expenditure for the financial year.

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.

STATEMENT OF PRINCIPAL ACCOUNTING POLICIES

Continued

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.

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 and expenditure account on a systematic basis over the expected average lives of members of the funds. 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 expected return on assets and the decrease during the period in the present value of the schemes' liabilities arising from the passage of time are included in pension finance costs within interest payable or in pension finance income within endowment and investment income. Actuarial gains and losses are recognised in the statement of total recognised gains and losses.

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. Contributions are therefore recognised as if they were defined contribution schemes and are charged to the income and expenditure account in the period in which they become payable.

Leases

Finance leases, which substantially transfer all the benefits and risks of 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 and expenditure account 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 in equal annual amounts over the period of the leases.

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.

CONSOLIDATED INCOME AND EXPENDITURE ACCOUNT

for the year ended 31 July 2015

	Note	Before exceptional items £000	Exceptional items* £000	2015 £000	2014 £000
Income					
Funding body grants	1	162,090	3,368	165,458	161,213
Tuition fees and education contracts	2	142,930	-	142,930	132,224
Research grants and contracts	3	152,613	20,369	172,982	133,618
Other income	4	71,649	2,647	74,296	73,485
Endowment and investment income	5	13,653	-	13,653	10,801
Total income		542,935	26,384	569,319	511,341
Expenditure					
Staff costs	6	279,600	-	279,600	269,680
Other operating expenses	7	210,193	-	210,193	198,414
Depreciation	9	24,416	-	24,416	22,433
Total expenditure		514,209	-	514,209	490,527
Surplus after depreciation of tangible fixed assets at valuation before corporation tax and non-operating exceptional items					
		28,726	26,384	55,110	20,814
Corporation taxation	8	(45)	(4,447)	(4,492)	(188)
Surplus before non-operating exceptional items		28,681	21,937	50,618	20,626
Net loss on disposal of fixed assets		-	(5,134)	(5,134)	-
Surplus on continuing operations after depreciation of assets at valuation, disposal of fixed assets and taxation					
		28,681	16,803	45,484	20,626
Surplus for the year transferred to accumulated income in endowment funds	12	(781)	-	(781)	(905)
Surplus for the year retained within general reserves		27,900	16,803	44,703	19,721

All items of income and expenditure arise from continuing operations.

* Exceptional items comprises i) £20.4m in respect of RDEC tax credits included within research income and a corresponding corporation tax charge of £4.4m in respect of this income ii) deferred capital grants released in respect of assets on which a loss on disposal arose and is included within the net loss on disposal of fixed assets. The assets were written off as a result of a reconfiguration of NHS facilities following the move to the Queen Elizabeth University Hospital.

CONSOLIDATED STATEMENT OF HISTORICAL COST SURPLUSES for the year ended 31 July 2015

	Note	2015 £000	2014 £000
Surplus for the year retained within general reserves		44,703	19,721
Difference between historical cost depreciation and the actual charge for the period calculated on the re-valued amount	19	<u>3,450</u>	<u>4,068</u>
Historical cost surplus for the year		<u>48,153</u>	<u>23,789</u>

CONSOLIDATED STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES for the year ended 31 July 2015

	Note	2015 £000	2014 £000
Surplus on continuing operations after depreciation of assets at valuation, disposal of fixed assets and taxation		45,484	20,626
Unrealised gains on investments	19	1,260	1,564
Appreciation of endowment asset investments	12, 18	4,375	2,077
New endowment bequests	12, 18	1,312	943
Currency translation	19	(7)	-
Actuarial loss in respect of pension schemes	19, 27	<u>(20,811)</u>	<u>(9,891)</u>
Total recognised gains for the year		<u>31,613</u>	<u>15,319</u>
Reconciliation:			
Opening reserves and endowments		401,497	386,178
Total recognised gains for the year		<u>31,613</u>	<u>15,319</u>
Closing reserves and endowments		<u>433,110</u>	<u>401,497</u>

BALANCE SHEETS
as at 31 July 2015

		Consolidated 2015	University 2015	Consolidated 2014	University 2014
	Note	£000	£000	£000	£000
Fixed assets					
Tangible assets	9	536,127	528,089	502,487	502,487
Investments	11	<u>10,467</u>	<u>11,956</u>	7,795	<u>2,403</u>
		<u>546,594</u>	<u>540,045</u>	<u>510,282</u>	<u>504,890</u>
Endowment assets	12	<u>164,316</u>	<u>164,316</u>	<u>157,848</u>	<u>157,848</u>
Current assets					
Stock		782	588	732	564
Debtors	13	94,801	100,552	60,917	64,510
Short term investments	14	87,179	87,179	48,032	48,032
Cash at bank and in hand	14	<u>66,562</u>	<u>60,480</u>	<u>115,352</u>	<u>112,592</u>
		<u>249,324</u>	<u>248,799</u>	225,033	225,698
Less: Creditors – amounts falling due within one year	15	<u>(222,305)</u>	<u>(220,405)</u>	<u>(218,698)</u>	<u>(218,518)</u>
Net current assets		<u>27,019</u>	<u>28,394</u>	6,335	7,180
Total assets less current liabilities		<u>737,929</u>	<u>732,755</u>	674,465	669,918
Less: Provisions for liabilities	16	<u>(4,328)</u>	<u>(4,328)</u>	<u>(4,452)</u>	<u>(4,452)</u>
Net assets excluding pension liability		<u>733,601</u>	<u>728,427</u>	670,013	665,466
Net pension liability	27	<u>(49,793)</u>	<u>(49,793)</u>	<u>(37,721)</u>	<u>(37,721)</u>
Net assets including pension liability		<u>683,808</u>	<u>678,634</u>	<u>632,292</u>	<u>627,745</u>

BALANCE SHEETS
as at 31 July 2015 - continued

		Consolidated 2015	University 2015	Consolidated 2014	University 2014
	Note	£000	£000	£000	£000
Represented by:					
Deferred income	17	250,698	250,698	230,795	230,795
Endowment funds					
Expendable	18	25,741	25,741	25,108	25,108
Permanent	18	<u>138,575</u>	<u>138,575</u>	<u>132,740</u>	<u>132,740</u>
		<u>164,316</u>	<u>164,316</u>	<u>157,848</u>	<u>157,848</u>
Reserves					
Income and expenditure excluding pension liability	19	166,736	165,159	127,329	125,172
Pension liability	19, 27	<u>(49,793)</u>	<u>(49,793)</u>	<u>(37,721)</u>	<u>(37,721)</u>
Income and expenditure including pension liability		116,943	115,366	89,608	87,451
Revaluation reserve	19	<u>151,851</u>	<u>148,254</u>	<u>154,041</u>	<u>151,651</u>
		<u>268,794</u>	<u>263,620</u>	<u>243,649</u>	<u>239,102</u>
Total funds		<u>683,808</u>	<u>678,634</u>	<u>632,292</u>	<u>627,745</u>

The financial statements on pages 12 to 43 were approved by the University Court of the University of Glasgow on 16 December 2015 and were signed on its behalf by:

Professor Anton Muscatelli
Principal

Ken Brown
Convener of Finance Committee

Robert Fraser
Director of Finance

CONSOLIDATED CASH FLOW STATEMENT

for the year ended 31 July 2015

	Note	2015 £000	2014 £000
Net cash inflow from operating activities	20	<u>7,478</u>	<u>24,767</u>
Return on investments and servicing of finance			
Income from endowments	18	6,246	6,090
Interest received	5	<u>1,219</u>	<u>1,129</u>
Net cash inflow from return on investments and servicing of finance		<u>7,465</u>	<u>7,219</u>
Capital expenditure			
Endowment assets acquired		(35,840)	(38,470)
Receipts from the sale of endowment assets		35,019	36,281
New bequests	18	1,312	943
Payments to acquire tangible assets	9	(64,644)	(48,809)
Deferred capital grants received	17	38,651	28,091
Proceeds of disposal of assets		<u>1,454</u>	<u>2</u>
Net cash outflow from capital expenditure		<u>(24,048)</u>	<u>(21,962)</u>
Currency translation	19	(7)	-
Net cash (outflow) / inflow before management of liquid resources		(9,112)	10,024
Management of liquid resources			
Cash transferred (to) / from term deposits	25	(39,147)	1,786
Cash transferred (to) / from endowments		(531)	902
(Decrease) / increase in cash in the year	25	<u>(48,790)</u>	<u>12,712</u>

RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET FUNDS

for the year ended 31 July 2015

	Note	2015 £000	2014 £000
(Decrease) / increase in cash in the year	25	(48,790)	12,712
Cash inflow / (outflow) of liquid resources	25	<u>39,147</u>	<u>(1,786)</u>
Movement in net funds in the year		(9,643)	10,926
Net funds at 1 August	25	163,384	152,458
Net funds at 31 July	25	<u>153,741</u>	<u>163,384</u>

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 July 2015

1 Funding body grants	2015	2014
	£000	£000
Main teaching grant	86,680	84,840
Main quality research grant	47,317	44,417
Research postgraduate grant	6,405	6,411
Knowledge transfer grant	2,288	2,522
Infrastructure grants	1,258	1,287
Deferred capital grants released in the year	9,043	5,701
Other funding council grants	12,467	16,035
	<u>165,458</u>	<u>161,213</u>
2 Tuition fees and education contracts	2015	2014
	£000	£000
Home and EU students	38,293	38,411
Rest of the UK Students	12,637	8,401
Overseas students	73,332	67,459
Short courses	5,144	5,661
Other fees	1,756	1,260
Research support grants	11,768	11,032
	<u>142,930</u>	<u>132,224</u>
3 Research grants and contracts	2015	2014
	£000	£000
Research Councils	54,918	47,192
Charities	41,661	39,246
UK Government excluding RDEC	24,147	20,378
RDEC (1)	20,369	-
European Commission	12,928	9,951
UK industry	5,171	4,470
Overseas	8,536	9,285
Other sources	795	551
Deferred capital grants released in the year	4,457	2,545
	<u>172,982</u>	<u>133,618</u>
4 Other Income	2015	2014
	£000	£000
Residences and Hospitality services	25,790	26,382
Other services rendered	23,232	23,361
Deferred capital grants released in the year	5,248	2,874
Health Authorities	4,240	4,542
Other income	15,786	16,326
	<u>74,296</u>	<u>73,485</u>

(1) A proportion of the University's activities were identified as qualifying R&D in accordance with Chapter 6A, Corporation Taxes Act 2009. RDEC tax credits have been incorporated in the current year covering the period 1 April 2013 to 31 July 2015.

NOTES TO THE FINANCIAL STATEMENTS
Continued

5 Endowment and investment income	2015	2014
	£000	£000
Income from expendable endowments (note 18)	984	971
Income from permanent endowments (note 18)	5,262	5,119
Endowment management fees	742	561
FRS 17 Interest (note 27)	5,446	3,021
Income from short-term investments	1,219	1,129
	<u>13,653</u>	<u>10,801</u>
6 Staff costs	2015	2014
	£000	£000
By expense type:		
Salaries	215,512	207,574
Social security costs	16,899	16,327
Other pension costs (note 27)	47,189	45,779
	<u>279,600</u>	<u>269,680</u>
With effect from 1 October 2008, members of the USS and UGPS schemes may elect to give up a portion of their contractual gross pay equal to their employees' pension contribution as part of a HMRC approved salary sacrifice scheme. No changes to staff pensionable salaries or total pension scheme contributions arise from this arrangement. The salaries figures reflect the reduced gross pay earned by staff and the total pension costs reflect the increased employer contributions under this arrangement.		
	2015	2014
	£000	£000
By staff category:		
Academic departments	137,562	135,240
Academic services	15,716	16,169
Research grants and contracts	73,649	69,114
Residences and hospitality services	4,096	4,037
Premises	14,392	14,208
Administration and other central services	26,049	23,429
Other income generating	8,136	7,483
	<u>279,600</u>	<u>269,680</u>
Remuneration of the Principal:		
Professor Anton Muscatelli	<u>271</u>	<u>263</u>
Contribution in respect of pensions:		
Professor Anton Muscatelli	<u>43</u>	<u>42</u>
Aggregate compensation for loss of office paid to former higher paid employees:		
Compensation paid	<u>-</u>	<u>37</u>

NOTES TO THE FINANCIAL STATEMENTS
Continued

6 Staff costs (continued)	2015	2014
	Number	Number
Average full time equivalent staff members by major category		
Academic departments	2,416	2,419
Academic services	366	378
Research grants and contracts	1,263	1,201
Residences and Hospitality services	140	133
Premises	499	507
Administration and other central services	552	522
Other income generating	201	195
	5,437	5,355

Remuneration of higher paid staff, including NHS merit awards, but excluding employer's pension contributions and termination payments fell within the following ranges:

	2015		2014	
	Non clinical	Clinical	Non clinical	Clinical
£70,001 - £80,000	93	12	90	15
£80,001 - £90,000	67	6	70	6
£90,001 - £100,000	47	12	41	15
£100,001 - £110,000	27	15	21	8
£110,001 - £120,000	16	5	12	8
£120,001 - £130,000	10	11	12	11
£130,001 - £140,000	9	7	6	7
£140,001 - £150,000	4	9	5	8
£150,001 - £160,000	5	6	2	6
£160,001 - £170,000	-	4	1	5
£170,001 - £180,000	1	8	-	10
£180,001 - £190,000	1	11	1	6
£190,001 - £200,000	-	3	-	5
£200,001 - £210,000	-	1	-	-
£210,001 - £220,000	-	-	-	-
£220,001 - £230,000	-	-	-	1
£230,001 - £240,000	-	1	-	-
£240,001 - £250,000	-	-	-	-
£250,001 - £260,000	-	-	-	-
£260,001 - £270,000	-	-	1	-
£270,001 - £280,000	1	-	-	-

7 Other operating expenses	2015	2014
	£000	£000
Academic departments	57,405	54,800
Academic services	9,117	9,441
Research grants and contracts	62,394	51,074
Residences and hospitality services	20,058	20,096
Premises	32,034	32,229
Administration and other central services	20,767	22,034
Agency staff	1,633	1,121
Other income generating	6,785	7,619
	210,193	198,414

NOTES TO THE FINANCIAL STATEMENTS

Continued

7 Other operating expenses (continued)-	2015	2014
	£000	£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	111	78
External auditors' remuneration in respect of non-audit services	25	25
Internal auditors' remuneration in respect of audit services	308	99
Internal auditors' remuneration in respect of non-audit services	146	139
Operating lease rentals		
Land and buildings	3,421	2,751
8 Corporation taxation	2015	2014
	£000	£000
UK Corporation tax	4,448	-
Singapore corporation tax at 11.8% on the profits of UGlasgow Singapore Pte Ltd	44	188
	<u>4,492</u>	<u>188</u>

As an exempt charity the University is potentially exempt from taxation in respect of income or capital gains received within categories covered by section 287 CTA 2009 and sections 471, and 478-488 CTA 2010 (formerly s505 of ICTA 1988) or section 256 of the Taxation of Chargeable Gains Act 1992, to the extent that such income or gains are applied to exclusively charitable purposes. The UK Corporation tax is solely in respect of Research and Development Expenditure Credit grants receivable by the University as described in note 3 which is of a one off nature.

Reconciliation of current year UK corporation tax charge	2015	2014
	£000	£000
Surplus after depreciation of tangible fixed assets at valuation and before exceptional items	55,110	20,814
		-
Surplus on ordinary activities multiplied by the average standard rate of corporation tax in the UK of 20.67% (2014:22.33%)	11,391	4,648
Surplus falling within charitable exemption	(6,908)	(4,385)
Adjustment in respect of prior year tax rates	238	-
Effect of tax rates in foreign jurisdiction	(229)	(75)
	<u>4,492</u>	<u>188</u>

NOTES TO THE FINANCIAL STATEMENTS
Continued

9 Tangible assets Consolidated:	Freehold land and buildings £000	Equipment £000	Assets Under Construction £000	Total £000
Cost or valuation :				
As at 1 August 2014	823,563	109,421	34,865	967,849
Additions at cost	-	17,229	47,415	64,644
Disposals	(893)	-	-	(893)
Transfer to fixed assets	48,485	-	(48,485)	-
Assets written off	(7,293)	-	-	(7,293)
As at 31 July 2015	863,862	126,650	33,795	1,024,307
Depreciation :				
As at 1 August 2014	(379,340)	(86,022)	-	(465,362)
Charge for the year	(15,559)	(8,857)	-	(24,416)
Eliminated on disposal	685	-	-	685
Assets written off	913	-	-	913
As at 31 July 2015	(393,301)	(94,879)	-	488,180
Net Book Value :				
As at 31 July 2015	470,561	31,771	33,795	536,127
As at 31 July 2014	444,223	23,399	34,865	502,487
University	Freehold land and buildings £000	Equipment £000	Assets Under Construction £000	Total £000
Cost or valuation :				
As at 1 August 2014	823,563	109,124	34,865	967,552
Additions at cost	-	17,229	39,377	56,606
Disposals	(893)	-	-	(893)
Transfer to fixed assets	48,485	-	(48,485)	-
Assets written off	(7,293)	-	-	(7,293)
As at 31 July 2015	863,862	126,353	25,757	1,015,972
Depreciation :				
As at 1 August 2014	(379,340)	(85,725)	-	(465,065)
Charge for the year	(15,559)	(8,857)	-	(24,416)
Eliminated on disposal	685	-	-	685
Assets written off	913	-	-	913
As at 31 July 2015	(393,301)	(94,582)	-	(487,883)
Net Book Value :				
As at 31 July 2015	470,561	31,771	25,757	528,089
As at 31 July 2014	444,223	23,399	34,865	502,487

NOTES TO THE FINANCIAL STATEMENTS

Continued

9 Tangible assets (continued)

Valuations were carried out in 1997 and 1999 using depreciated replacement cost, assuming replacement of buildings on the basis of equivalent reinstatement and continuation of University occupation and use. The transitional rules set out in FRS 15: Tangible Fixed Assets were applied on implementing FRS 15. Accordingly the 1997 and 1999 valuation amounts are being retained and will not be updated other than for asset disposals. The consolidated cost or valuation balance as above includes £496,545k relating to the 1997 valuation and £9,652k relating to the 1999 valuation.

Property owned by the University includes academic buildings, student residences and other associated properties including a conference centre, a sports centre and a museum and art gallery, none of which is considered to be inalienable. The University has an agreement with Glasgow Student Villages Ltd (GSV) whereby certain of the University's Halls of Residence were sold to that company with the University having a future option to repurchase the properties. The financial statements reflect the economic substance of these transactions and as such these assets are still included in the land and buildings of the University although legal title has passed to GSV. There are no other restrictions on the realisation of property except that the proceeds of sale of any building acquired with public funds must be handled in a manner consistent with the conditions of the Financial Memorandum.

Freehold land and buildings contains £74.6m of land (2014: £74.7m) which is not depreciated and £33.8m (2014: £34.9m) of assets that are under construction and have not yet received a charge for depreciation.

10 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.

The museum is home to over a 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 Museum and Art Gallery. 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.

The main Hunterian Museum is open to visitors on 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 disposals or acquisitions during the financial year.

NOTES TO THE FINANCIAL STATEMENTS

Continued

10 Heritage assets (continued)

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.

Special Collections is open to the public Monday to Thursday 9am to 5pm (6pm during term time) and Friday 10am to 5pm. Special Collections is closed during public holidays. Information about Special Collection's policy for the acquisition, preservation and management and disposal of heritage assets can be found at:

www.gla.ac.uk/services/specialcollections/aboutus/developmentpolicy/

There have been no disposals or acquisitions 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 is open to the public as follows: Monday to Friday 9.30am to 5pm. Archive Services is closed during public holidays.

Information about the Archive Services'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 and annual details can be found at:

<http://www.gla.ac.uk/services/archives/about/ourperformance/annualreviews/>

There have been no disposals or acquisitions during the financial year.

Reliable information on cost or valuation cannot be obtained for the vast majority of collections held within the Hunterian Museum and Art Gallery, 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 2015 do not meet the definition of a heritage asset and therefore are not recognised on the balance sheet.

11 Investments	Consolidated		University	
	2015	2015	2014	2014
	£000	£000	£000	£000
Treasury stock at market value	2,122	2,122	2,069	2,069
Unlisted investments at cost	84	9,834	84	334
Listed investments at market value	8,261	-	5,642	-
	10,467	11,956	7,795	2,403

The University has a direct interest of 100% in both the ordinary share capital and preference 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 invested £9,000,000 into UOG Utilities Supplies Company Limited and a further £500,000 into GU Holdings limited.

NOTES TO THE FINANCIAL STATEMENTS
 Continued

12	Endowment assets (Consolidated and University)			2015	2014
				£000	£000
	Balance at 1 August			157,848	153,923
	New endowments invested			1,312	943
	Increase in market value of investments			4,375	2,077
	Surplus transferred from the income and expenditure account			781	905
	Balance at 31 July			164,316	157,848
	Represented by				
	Listed investments at market value			154,690	148,764
	Cash on hand and at bank			9,626	9,084
	Total endowment assets			164,316	157,848
13	Debtors: amounts falling due within one year	Consolidated	University	Consolidated	University
		2015	2015	2014	2014
		£000	£000	£000	£000
	Research grants and contracts	43,543	43,543	33,602	33,602
	Prepayments and other sundry debtors	22,522	21,105	9,568	9,273
	Capital projects	4,595	4,595	5,406	5,406
	Salaries recoverable externally	1,542	1,542	566	566
	Courses, consultancies and contracts	2,845	2,845	7,739	7,739
	Net RDEC recoverable	15,922	15,922	-	-
	Amounts due from subsidiaries	-	7,168	-	3,888
		90,969	96,720	56,881	60,474
	Debtors: amounts falling due after more than one year				
	Lease incentive	3,832	3,832	4,036	4,036
		94,801	100,552	60,917	64,510
14	Cash balances	Consolidated	University	Consolidated	University
		2015	2015	2014	2014
		£000	£000	£000	£000
	Short term investments	87,179	87,179	48,032	48,032
	Cash at bank and on hand	66,562	60,480	115,352	112,592
		153,741	147,659	163,384	160,624

NOTES TO THE FINANCIAL STATEMENTS
 Continued

15	Creditors: amounts falling due within one year	Consolidated	University	Consolidated	University
		2015	2015	2014	2014
		£000	£000	£000	£000
	Research grants and contracts	93,747	93,747	86,625	86,625
	Sundry creditors	31,472	31,335	29,442	29,137
	Accruals and sundry provisions	68,758	66,831	72,867	72,879
	Courses, consultancies and contracts	18,209	18,209	20,307	20,307
	Employment cost liabilities	10,119	10,113	9,457	9,457
	Amounts due to subsidiaries	-	170	-	113
		222,305	220,405	218,698	218,518
16	Provisions for liabilities (Consolidated and University)	Funded pension liability:	Unfunded pension liability:	FSSU and ex-gratia pension liability	Total
		St Andrew's College	St Andrew's College	liability	£000
		£000	£000	£000	£000
	As at 1 August 2014	2,730	1,713	9	4,452
	Income	46	-	-	46
	Transfer from / (to) income & expenditure account	172	(6)	-	166
	Utilised in year	(160)	(176)	-	(336)
	As at 31 July 2015	2,788	1,531	9	4,328

A valuation of the pension liabilities at 31 July 2015 was carried out by the University's appointed independent actuary, Hymans Robertson.

NOTES TO THE FINANCIAL STATEMENTS
 Continued

17	Deferred income (Consolidated and University)	Deferred grants			Total £000
		Funding Council £000	Other sources £000	Other deferred income £000	
As at 1 August 2014:					
	Buildings	137,518	60,220	-	197,738
	Equipment	2,234	1,724	-	3,958
	Residences	-	-	29,099	29,099
		139,752	61,944	29,099	230,795
Income received and receivable in the year:					
	Buildings	12,542	12,963	-	25,505
	Equipment	4,077	9,069	-	13,146
		16,619	22,032	-	38,651
Released to income and expenditure account in the year:					
	Buildings	7,554	6,392	-	13,946
	Equipment	2,234	1,078	-	3,312
	Residences	-	-	1,490	1,490
		9,788	7,470	1,490	18,748
Balance as at 31 July 2015:					
	Buildings	142,506	66,791	-	209,297
	Equipment	4,077	9,715	-	13,792
	Residences	-	-	27,609	27,609
		146,583	76,506	27,609	250,698

The 'other deferred income' represents a capital sum which was received by the University in respect of an agreement with Glasgow Student Villages Ltd, a company limited by guarantee and with charitable status, which was completed in the financial year to 31 July 2002, whereby certain of the University's Halls of Residence were sold to that company. The agreement provides that the company shall operate and maintain the residences to agreed standards and that the University shall continue to market and allocate rooms to students and provide them with pastoral care. This amount will be released to the Income and Expenditure Account over the 32 year period of the agreement. The University has a future option to repurchase the properties. The financial statements reflect the economic substance of these transactions. Accordingly the tangible assets involved, £33.8m (2014 - £34.8m) are included in land and buildings. In certain circumstances a liability may arise on the University in respect of the obligations of GSV to its bankers (see note 22).

NOTES TO THE FINANCIAL STATEMENTS
 Continued

18 Endowment funds (Consolidated and University)	Unrestricted Permanent £000	Restricted Permanent £000	Total Permanent £000	Restricted Expendable £000	2015 Total £000	2014 Total £000
As at 1 August						
Capital value	3,318	111,723	115,041	22,322	137,363	134,736
Accumulated income	547	17,152	17,699	2,786	20,485	19,187
	3,865	128,875	132,740	25,108	157,848	153,923
 New endowments	 -	 918	 918	 394	 1,312	 943
Investment income	151	5,111	5,262	984	6,246	6,090
Expenditure	(106)	(3,919)	(4,025)	(1,440)	(5,465)	(5,185)
 Increase in market value of investments	 107	 3,573	 3,680	 695	 4,375	 2,077
As at 31 July	4,017	134,558	138,575	25,741	164,316	157,848
Represented by:						
Capital value	3,425	116,227	119,652	22,788	142,440	137,363
Accumulated income	592	18,331	18,923	2,953	21,876	20,485
	4,017	134,558	138,575	25,741	164,316	157,848
Analysis by type of purpose:						
Lectureships	3,551	57,132	60,683	16,789	77,472	74,802
Scholarships and bursaries	463	66,793	67,256	8,869	76,125	72,759
Prize funds	3	5,866	5,869	83	5,952	5,655
General	-	4,767	4,767	-	4,767	4,632
	4,017	134,558	138,575	25,741	164,316	157,848

Major endowments

Restricted permanent endowments include the Postgraduate Scholarships for Advanced Study and Research which is awarded to enable graduates or holders of qualifications accepted by the Court to undertake advanced study or research.

The movements on this fund for the year were as follows:

	£000
Balance at 1 August 2014	27,855
Transfer between endowments	-
Investment income	1,085
Expenditure	(1,189)
Increase in market value of investments	903
Balance at 31 July 2015	28,654

NOTES TO THE FINANCIAL STATEMENTS
 Continued

19 Reserves	Consolidated		University	
	2015	2015	2014	2014
	£000	£000	£000	£000
Income and expenditure reserve				
As at 1 August	127,329	125,172	135,310	134,253
Surplus retained for the year	44,703	45,276	19,721	18,621
Currency translation	(7)	-	-	-
Transfer from revaluation reserve	3,450	3,450	4,068	4,068
Transfer from pension liability Reserve	(8,739)	(8,739)	(31,770)	(31,770)
As at 31 July	166,736	165,159	127,329	125,172
Pension liability reserve				
As at 1 August	(37,721)	(37,721)	(59,600)	(59,600)
Actuarial loss (note 27)	(20,811)	(20,811)	(9,891)	(9,891)
Transfer to income and expenditure reserve	8,739	8,739	31,770	31,770
As at 31 July	(49,793)	(49,793)	(37,721)	(37,721)
Revaluation reserve				
As at 1 August	154,041	151,651	156,545	155,744
Transfer to income and expenditure reserve	(3,450)	(3,450)	(4,068)	(4,068)
Increase / (decrease) in market value of general investments	1,260	53	1,564	(25)
As at 31 July	151,851	148,254	154,041	151,651

NOTES TO THE FINANCIAL STATEMENTS
 Continued

20	Reconciliation of operating surplus to the net cash inflow from operating activities	2015	2014
		£000	£000
	Operating surplus	50,618	20,626
	Depreciation (note 9)	24,416	22,433
	Deferred capital grants released to income (note 17)	(17,258)	(9,631)
	Deferred residences income released to income (note 17)	(1,490)	(1,489)
	Change in value of investments	(1,412)	300
	Interest receivable (note 5)	(1,219)	(1,129)
	Endowment expenditure (note 18)	(5,465)	(5,185)
	Endowment management fee (note 5)	(742)	(561)
	Increase in stocks	(50)	(59)
	Increase in debtors	(33,883)	(9,835)
	Increase in creditors	3,607	42,008
	Decrease in provisions	(124)	(36)
	Pension costs less contributions payable (note 19)	(8,739)	(31,770)
	Endowment transfer (note 12)	(781)	(905)
	Net cash inflow from operating activities	<u>7,478</u>	<u>24,767</u>

21 Commitments

Capital commitments	Consolidated	University	Consolidated	University
	2015	2015	2014	2014
	£000	£000	£000	£000
Commitments contracted at 31 July	23,838	15,665	12,075	12,075
Authorised but not contracted at 31 July	<u>38,249</u>	<u>38,249</u>	<u>65,808</u>	<u>65,808</u>
	<u>62,087</u>	<u>53,914</u>	<u>77,883</u>	<u>77,883</u>

Lease commitments

During the next year, the University is committed to pay £2.9m (2014: £2.5m) in respect of the operating leases as follows:

	Land and buildings	
	2015	2014
	£000	£000
Annual commitments under operating leases expiring:		
- Within one year	2,047	1,814
- In two to five years	295	452
- After more than five years	<u>509</u>	<u>271</u>
	<u>2,851</u>	<u>2,537</u>

NOTES TO THE FINANCIAL STATEMENTS

Continued

22 Contingent liability

During the financial year to 31 July 2015 the University concluded an agreement with Glasgow Student Villages Ltd (GSV) a company limited by guarantee and with charitable status, whereby certain of the University's Halls of Residence were sold to that company. The agreement provides that the company shall operate and maintain the residences to agreed standards and that the University shall continue to market and allocate rooms to students and provide them with pastoral care. The University has a future option to repurchase the properties. The financial statements reflect the economic substance of these transactions. Accordingly the tangible assets involved, £33.8m (2014 - £34.8m) are included in land and buildings. In certain circumstances a liability may arise on the University in respect of the obligations of GSV to its bankers. In the view of the University, at this time, it is unlikely that a material liability will arise in the foreseeable future.

23 Post balance sheet events

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

24 Amounts disbursed as agent	HE Childcare	HE	2015	2014
	Fund	Discretionary	Total	Total
	£000	£000	£000	£000
As at 1 August	-	-	-	-
Funds received in year	459	1,082	1,541	1,514
Expenditure	(170)	(1,373)	(1,543)	(1,517)
Virements	(290)	290	-	-
Interest	1	1	2	3
As at 31 July	-	-	-	-

25 Analysis of changes in net funds	As at 1 Aug	Cash	As at 31 July
	2014	Flows	2015
	£000	£000	£000
Cash at bank and in hand	115,352	(48,790)	66,562
Short term investments	48,032	39,147	87,179
Net funds	163,384	(9,643)	153,741

26 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 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.

NOTES TO THE FINANCIAL STATEMENTS

Continued

27 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 National Health Service Superannuation Scheme (NHSSS);
- f) The Federated Superannuation Scheme for Universities (FSSU);
- g) The Medical Research Council Pension Scheme (MRCPS);
- h) The National Employment Savings Trust (NEST);
 - i) NEST Autoenrol;
 - ii) NEST Contractual.

The total pension costs for the University were as follows:

	2015	2014
	£000	£000
USS - contributions paid	35,711	33,746
UGPS - charge to income and expenditure account	9,733	10,572
SPF - charge to income and expenditure account	135	119
Other Schemes - contributions paid	1,610	1,342
	47,189	45,779

With effect from 1 October 2008, members of the USS and UGPS schemes may elect to give up a portion of their contractual gross pay equal to their employees' pension contribution as part of a HMRC approved salary sacrifice scheme. No changes to staff pensionable salaries or total pension scheme contributions arise from this arrangement. The figures within note 6 to the financial statements reflect the reduced gross pay earned by staff under this arrangement. The total pension costs shown above and in note 6 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 17: "Retirement benefits" and recognises retirement benefits as the benefits are earned and not when they are due to be paid. The consolidated balances for UGPS and SPF as shown in the financial statements and associated notes are as follows:

	2015	2014
	£000	£000
<u>Deficit in schemes at 31 July</u>		
UGPS	(48,309)	(34,873)
SPF	(1,484)	(2,848)
Total net deficit in the schemes	(49,793)	(37,721)
<u>Amount recognised in the Statement of Total Recognised Gains and Losses</u>		
UGPS	(21,889)	(8,713)
SPF	1,078	(1,178)
Total losses for the year	(20,811)	(9,891)
<u>Total net finance credit</u>		
UGPS	5,310	2,906
SPF	136	115
Total net finance credit	5,446	3,021

NOTES TO THE FINANCIAL STATEMENTS

Continued

27 Pension schemes (continued)

Due to the mutual nature of the other schemes, 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 17 "Retirement Benefits", 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 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 2013. The major assumptions used at 31 July are shown below:

	2015	2014	2013
Discount rate	3.50%	4.10%	4.30%
Retail price inflation	3.25%	3.35%	3.20%
Rate of increase in salaries	3.25%	3.35%	4.20%
Rate of increase to pensions in payment	2.25%	2.35%	2.45%
Consumer price inflation	2.25%	2.35%	2.45%

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

	<u>2015</u>	<u>2015</u>	<u>2014</u>	<u>2014</u>
	Male	Female	Male	Female
Member age 65 (current life expectancy)	22.8	24.3	22.1	23.8
Member age 45 (life expectancy at age 65)	25.5	26.0	24.8	25.5

The assets in the scheme and the expected rates of return were:

	Value at 31 July 2015 £000	Long term rate of return expected at 31 July 2014	Value at 31 July 2014 £000	Long term rate of return expected at 31 July 2013	Value at 31 July 2013 £000
UK equities	53,982	6.70%	121,039	6.40%	259,808
Overseas equities	103,241	6.40%	80,693	-	-
Corporate bonds	38,462	4.10%	15,000	-	-
Government bands	63,092	3.40%	15,000	-	-
Diversified growth fund	69,839	6.70%	67,336	-	-
Cash	8,772	3.60%	548	0.50%	1,007
Total	337,388		299,616		260,815

NOTES TO THE FINANCIAL STATEMENTS
Continued
27 Pension schemes (continued)
a) UGPS (continued)

The following amounts at 31 July 2015 were measured in accordance with the requirements of FRS 17:

	Value at 31 July 2015 £000	Value at 31 July 2014 £000	Value at 31 July 2013 £000
Total market value of assets	337,388	299,616	260,815
Present value of liabilities	(385,697)	(334,489)	(318,497)
Deficit in the scheme	(48,309)	(34,873)	(57,682)

The University has contributed 22.5% of pensionable salaries over the period to 31 July 2015. Additionally the University made a lump sum deficit reduction contribution of contribution of £2.5m in March 2015. The University expects to continue to make deficit reduction contributions of £2.5m per year increasing by 2.5% per annum.

	2015 £000	2014 £000
Operating surplus:		
Current service cost	(9,733)	(10,572)
Total operating charge	(9,733)	(10,572)
Other finance costs:		
Expected return on scheme assets	19,003	16,629
Interest cost	(13,693)	(13,723)
Total net finance credit	5,310	2,906
Total pension cost recognised in the income and expenditure account	(4,423)	(7,666)
Statement of total recognised gains and losses (STRGL):		
Actual return less expected return on pension scheme assets	16,655	(7,716)
Change in assumptions underlying the present value of the scheme liabilities	(38,544)	(997)
Actuarial losses recognised in the STRGL	(21,889)	(8,713)

The cumulative loss recognised in the STRGL to date is £23.6m (2014: £1.7m loss).

	2015 £000	2014 £000
Movements in present value of scheme assets during the year:		
Assets at beginning of the year	299,616	260,815
Movement in year:		
Expected return on scheme assets	19,003	16,629
Actuarial gains / (losses)	16,655	(7,716)
Contributions by the employer	12,876	39,188
Benefits paid	(10,762)	(9,300)
Assets at the end of the year	337,388	299,616

NOTES TO THE FINANCIAL STATEMENTS

Continued

27 Pension schemes (continued)

a) UGPS (continued)

	2015	2014
	£000	£000
Movements in present value of scheme liabilities during the year:		
Liabilities at beginning of the year	334,489	318,497
Movement in year:		
Current service cost	9,733	10,572
Interest cost	13,693	13,723
Change in assumptions	38,544	997
Benefits paid	<u>(10,762)</u>	<u>(9,300)</u>
Liabilities at the end of the year	<u>385,697</u>	<u>334,489</u>

Details of the experience gains and losses for the years to 31 July:	2015	2014	2013	2012	2011
	£000	£000	£000	£000	£000
Fair value of scheme assets	337,388	299,616	260,815	208,245	210,980
Present value of scheme liabilities	<u>(385,697)</u>	<u>(334,489)</u>	<u>(318,497)</u>	<u>(327,582)</u>	<u>(268,101)</u>
Deficit in the scheme	<u>(48,309)</u>	<u>(34,873)</u>	<u>(57,682)</u>	<u>(119,337)</u>	<u>(57,121)</u>

Experience gains and (losses) on scheme assets:

Amount £000	16,655	(7,716)	41,866	(14,068)	11,930
Percentage of scheme assets	4.9%	(2.6%)	16.1%	(6.8%)	5.7%

Experience gains and (losses) on scheme liabilities:

Amount £000	(2,814)	1,087	36,918	429	(13,104)
Percentage of scheme liabilities	(0.7%)	0.3%	11.6%	0.1%	(4.9%)

b) SPF

This is an externally funded, multi-employer, defined benefit scheme which is 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 2014 valuation results, rolled forward onto the FRS 17 assumptions at 31 July 2015. The major assumptions used are shown below:

	2015	2014	2013
Discount rate	3.50%	4.10%	4.30%
Retail price inflation	3.25%	3.35%	3.20%
Rate of increase in salaries	3.25%	3.35%	4.20%
Rate of increase to pensions in payment	2.25%	2.35%	2.45%
Consumer price inflation	2.25%	2.35%	2.45%

NOTES TO THE FINANCIAL STATEMENTS
Continued
27 Pension schemes (continued)
b) SPF (continued)

	<u>2015</u>	<u>2015</u>	<u>2014</u>	<u>2014</u>
	Male	Female	Male	Female
Member age 65 (current life expectancy)	22.8	24.3	22.1	23.8
Member age 45 (life expectancy at age 65)	25.5	26.0	24.8	25.5

The assets in the scheme and the expected rates of return were:

	Value at 31 July 2015 £000	Long term rate of return expected at 31 July 2014	Value at 31 July 2014 £000	Long term rate of return expected at 31 July 2013	Value at 31 July 2013 £000
Equities	10,183	6.60%	10,116	6.40%	9,804
Bonds	1,629	3.50%	1,597	3.90%	1,806
Property	1,629	4.70%	932	5.90%	903
Cash	137	3.60%	666	0.50%	387
Total	<u>13,578</u>		<u>13,311</u>		<u>12,900</u>

The following amounts at 31 July 2015 were measured in accordance with the requirements of FRS 17:

	Value at 31 July 2015 £000	Value at 31 July 2014 £000	Value at 31 July 2013 £000
Total market value of assets	13,578	13,311	12,900
Present value of liabilities	(15,062)	(16,159)	(14,818)
Deficit in the scheme	<u>(1,484)</u>	<u>(2,848)</u>	<u>(1,918)</u>

The University paid contributions to the Fund at 21.0% of pensionable salaries over the year to 31 July 2015 and expects to make similar contributions over the next year.

Additionally the University has paid £155k of deficit contributions between 1 August 2014 and 31 July 2015.

Operating surplus:	2015	2014
	£000	£000
Current service cost	<u>(135)</u>	<u>(119)</u>
Total operating charge	<u>(135)</u>	<u>(119)</u>
Other finance costs:		
Expected return on scheme assets	787	741
Interest cost	<u>(651)</u>	<u>(626)</u>
Total net finance credit	<u>136</u>	<u>115</u>
Total pension cost recognised in the income and expenditure account	<u>1</u>	<u>(4)</u>

NOTES TO THE FINANCIAL STATEMENTS
Continued
27 Pension schemes (continued)
b) SPF (continued)

	2015	2014
	£000	£000
Statement of total recognised gains and losses (STRGL):		
Actual return less expected return on pension scheme assets	(144)	62
Change in assumptions underlying the present value of the scheme Liabilities	<u>1,222</u>	<u>(1,240)</u>
Actuarial gains / (losses) recognised in the STRGL	<u>1,078</u>	<u>(1,178)</u>

The cumulative loss recognised in the STRGL to date is £1.4m (2014: £2.5m loss).

Movements in present value of scheme assets during the year:	2015	2014
	£000	£000
Assets at beginning of the year	13,311	12,900
Movement in year:		
Expected return on scheme assets	787	741
Actuarial (losses) / gains	(144)	62
Contributions by the employer	285	252
Contributions by the scheme participants	32	29
Benefits paid	<u>(693)</u>	<u>(673)</u>
Assets at the end of the year	<u>13,578</u>	<u>13,311</u>

Movements in present value of scheme liabilities during the year:	2015	2014
	£000	£000
Liabilities at beginning of the year	16,159	14,818
Movement in year:		
Current service cost	135	119
Interest cost	651	626
Change in assumptions	(1,222)	1,240
Contributions by the scheme participants	32	29
Benefits paid	<u>(693)</u>	<u>(673)</u>
Liabilities at the end of the year	<u>15,062</u>	<u>16,159</u>

NOTES TO THE FINANCIAL STATEMENTS

Continued

27 Pension schemes (continued)

b) SPF (continued)

Details of the experience gains and losses for the years to 31 July:	2015 £000	2014 £000	2013 £000	2012 £000	2011 £000
Fair value of scheme assets	13,578	13,311	12,900	11,186	12,351
Present value of scheme liabilities	(15,062)	(16,159)	(14,818)	(14,339)	(11,812)
(Deficit) / surplus in the scheme	(1,484)	(2,848)	(1,918)	(3,153)	539

Experience gains and (losses) on scheme assets:

Amount £000	(144)	62	1,622	(1,612)	402
Percentage of scheme assets	0%	0%	13%	(14%)	3%

Experience gains and (losses) on scheme liabilities:

Amount £000	1,861	(23)	(32)	(1,007)	1,059
Percentage of scheme liabilities	12%	(0%)	(0%)	(7%)	9%

c) USS

The Universities Superannuation Scheme (USS) is a UK-wide defined benefit scheme which is contracted out of the State Second Pension (S2P). The assets of the scheme are held in a separate trustee-administered fund. The appointment of directors to the board of the trustee is determined by the Articles of Association. Four of the directors are appointed by Universities UK; three are appointed by the University and College Union, of whom at least one must be a USS pensioner member; and a minimum of two and a maximum of four are co-opted directors appointed by the board. Under the scheme trust deed and rules, the employer contribution rate is determined by the trustee, acting on actuarial advice.

The University participates in the Universities Superannuation Scheme (USS), a defined benefit scheme which is contracted out of the State Second Pension (S2P). The assets of the scheme are held in a separate fund administered by the trustee, Universities Superannuation Scheme Limited. 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. In 2015, the percentage was 16% (2014: 16%). The University is unable to identify its share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis and therefore, as required by FRS 17 "Retirement benefits", accounts for the scheme as if it were a defined contribution scheme.

The total pension USS pension cost for the University was £35.7 million (2014 £33.7 million). This includes £3 million (2014 £2.9 million) of outstanding contributions at the balance sheet date.

The disclosures below represent the position from the scheme's financial statements.

The latest available triennial actuarial valuation of the scheme was at 31 March 2011 ("the valuation date"), which was carried out using the projected unit method. The 2014 valuation is not yet finalised and is under consultation in order to agree a recovery plan which will include a reduction in future benefits and an increase in employer contributions. It is expected that employer contributions will increase to 18% from 1 April 2016.

The 2011 valuation was the second valuation for USS under the scheme-specific funding regime introduced by the Pensions Act 2004, which requires schemes to adopt a statutory funding objective, which is to have sufficient and appropriate assets to cover their technical provisions. At the valuation date, the value of the assets of the scheme was £32.4 billion and the value of the scheme's technical provisions was £35.3 billion indicating a shortfall of £2.9 billion. The assets therefore were sufficient to cover 92% of the benefits which had accrued to members after allowing for expected future increases in earnings.

NOTES TO THE FINANCIAL STATEMENTS

Continued

27 Pension schemes (continued)

c) USS (continued)

FRS 17 liability numbers have been produced using the following assumptions:

	2015	2014
Discount Rate	3.3%	4.5%
Pensionable salary growth	3.5% in the first year and 4.0% thereafter	4.4%
Price inflation (CPI)	2.2%	2.6%

The main demographic assumption used relates to the mortality assumptions. Mortality in retirement is assumed to be in line with the Continuous Mortality Investigation's (CMI) S1NA tables as follows:

Male members' mortality	S1NA ["light"] YoB tables – no age rating
Female members' mortality	S1NA ["light"] YoB tables – rated down one year

Use of these mortality tables reasonably reflects the actual USS experience. To allow for further improvements in mortality rates the CMI 2009 projections with a 1.25% pa long term rate were also adopted for the 2014 FRS17 figures, for the March 2015 figures the long term rate has been increased to 1.5% and the CMI 2014 projections adopted, and the tables have been weighted by 98% for males and 99% for females. The current life expectancies on retirement at age 65 are:

	2015	2014
Males currently aged 65 (years)	24.2	23.7
Females currently aged 65 (years)	26.3	25.6
Males currently aged 45 (years)	26.2	25.5
Females currently aged 45 (years)	28.6	27.6

Existing benefits	2015	2014
Scheme assets	£49.0bn	£41.6bn
FRS 17 scheme liabilities	£67.6bn	£55.5bn
FRS 17 deficit	£18.6bn	£13.9bn
FRS 17 funding levels	72%	75%

A contingent liability exists in relation to the pension valuation recovery plan, since the University is an employer of members within the scheme. The contingent liability relates to the amount generated by past service of current members and the associated proportion of the deficit. Given that the scheme is a multi-employer scheme and the University is unable to identify its share of the underlying assets and liabilities, the contingent liability is not recognised as a provision on the balance sheet. The associated receivable from the scheme in respect of the reimbursement of the University's expenditure is similarly not recognised.

d) STSS

Former members of the academic staff of St Andrew's College of Education are covered by STSS, which is a multi-employer defined benefits scheme. Under the definitions set out in FRS17, 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 taken advantage of the exemption in FRS17 and has accounted as if it were a defined contribution scheme. An actuarial assessment was carried out at 31st March 2012. The Scheme had total liabilities, for service to the 31st March 2012 of £20.9 billion and notional assets of £19.6 billion giving a notional past service deficit of £1.3 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.

NOTES TO THE FINANCIAL STATEMENTS

Continued

27 Pension schemes (continued)

d) STSS (continued)

Financial assumptions at 31st 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

With effect from 1 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 £88k (2014 - £88k). This includes £7k (2014 - £8k) of outstanding contributions at the balance sheet date. Employees' regular contributions were £66k (2014 - £62k) and £5.5k (2014 - £4.5k) in respect of additional voluntary contributions.

e) NHSSS

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 31st March 2012. The Scheme had total liabilities, for service to the 31st 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 31st 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 £698k (2014 - £665k). This includes £58k (2014 - £55k) of outstanding contributions at the balance sheet date. Employees' regular contributions were £513k (2014 - £500k) and £6k (2014 - £7k) in respect of additional voluntary contributions.

f) FSSU

FSSU is a defined benefit scheme that is not-contracted out of the State Second Pension (S2P) and covers a very small number of academic staff who did not transfer to USS when it was introduced in 1975. Pension provision is by means of assurance policies, selected by the member from a panel and held in trust by the Trustees. Premiums on policies are paid annually in advance by Court, which then recovers the appropriate members' contributions by deduction from salary. Adjustments are made in respect of prepaid premiums in arriving at the charge for the year. Persons retiring or who have already retired under the scheme are entitled of right to additional benefits that may arise under the FSSU Supplementation scheme. These additional benefits are unfunded and are paid direct to retired members by Court. Full provision has been made in the year for the actuarial valuation of the liabilities of this scheme. As at the balance sheet date there are no contributing members due to the last contributing member retiring on 30th September 2014.

g) MRCPS

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 FRS17, 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 taken advantage of the exemption in FRS17 and has accounted 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.

NOTES TO THE FINANCIAL STATEMENTS

Continued

27 Pension schemes (continued)

g) MRCPS (continued)

The required MRCPS contribution rate is assessed every three years in accordance with advice of the Government Actuary. The latest actuarial assessment of the MRCPS was at 31 December 2013 at which showed a surplus of £160.1m (2010 valuation £82.1m) and the market value of the assets of the MRCPS was £1,054m (2010 = £884m), an ongoing funding level of 118% (2010 valuation 110%). The actuarial value of the assets was sufficient to cover 118% 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 present MRCPS employers' contribution rate remained at 13% in 2014/15 (2013/14 – 13%) but will rise to 14% in 2015/16.

The valuation below has been based on the data for the most recent actuarial valuations as at 31 December 2013, and updated to take account of the requirements of International Accounting Standard 19 in order to assess the liabilities of the scheme at 31 March 2015. The mortality assumptions included within the figures are that male (female) members who retire at typical ages will live to approximately age 88 (90).

Financial assumptions used to calculate scheme liabilities as at 31 March 2015

Rate of increase on pensionable salaries	2.85%
Rate of increase on pension payments	1.85%
Discount rate	3.10%
Inflation rate	1.85%
Expected return on equities	3.10%
Expected return on bonds	3.10%

The results of any actuarial calculation are inherently uncertain because of the assumptions which must be made. The table below indicates the approximate effects on the actuarial liability as at 31 March 2015 of changes to the main actuarial assumptions.

Change in assumption			Approximate effect on total liability
Discount rate	-1/2% a year	+10.5%	+127m
Rate of increase in earnings	-1/2% a year	-1.5%	-£18m
Rate of increase in pensions	-1/2% a year	-7.0%	-£84m
Removing age rate for pensioner mortality		+2.5%	+£30m

The total pension cost for the University was £464k (2014 – £532k). This includes £37k (2014 – £42k) of outstanding contributions at the balance sheet date. Employees' regular contributions were £201k (2014 – £230k) and £37k (2014 – £37k) in respect of additional voluntary contributions.

h) NEST

NEST is a defined contribution scheme that is not-contracted out of the State Second Pension (S2P) and covers atypical workers, and a number of support staff who had previously opted-out of UGPS. 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 University's staging date for Auto-Enrolment was 1st April 2013.

The total pension cost for the University was £360k (2014 – £57k). This includes £42k (2014 – £13k) of outstanding contributions at the balance sheet date. Employees' regular contributions were £158k (2014 – £37k).

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