



University
of Glasgow

Reports and Financial Statements for the year to 31 July 2017



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OPERATING AND FINANCIAL REVIEW

For the year ended 31 July 2017

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 2017 ("2016-17").

History

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

Principal operations

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

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

The majority of operations are carried out on the University's main Gilmorehill campus in the West End of Glasgow. The University educates more than 18,600 undergraduate students, almost 8,000 postgraduate students, and over 3,000 adult learners. Finding community within diversity, the University attracts students from more than 140 countries, as well as academics from around the globe. In addition, as a venue for international conferences and a hub of cultural interest, the University is also a major contributor to the cultural and commercial life of the country.

Constitution, governance and regulation

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

From 1858 until 1966 the University exercised its powers using Ordinances. These were drafted by the University and given legal authority by the Privy Council after approval by the General Councils of the other Scottish Universities. The Universities (Scotland) Act 1966 enabled the University to exercise its powers using Resolutions and Procedures. Resolutions are issued by the University Court of the University of Glasgow ("Court") after consultation with the University. Procedures are as determined by Court. In a few areas, mainly of constitutional import, Ordinances are still required.

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

Inspiring People – Changing the World

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

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

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

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

Inspiring People identifies 9 primary and 13 secondary key performance indicators (KPIs) to assess the University's progress and performance over the 2015 – 2020 strategic period. The KPIs encompass research, the student experience, internationalisation, staff satisfaction, financial health and efficiency of the estate.

The Student Experience

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

The University has a sustained track record of high achievement in student satisfaction as measured by the National Student Survey (NSS), which remains towards the upper end of the sector. The University's overall average satisfaction score held steady at 89% in 2016-17, placing the University third in Scotland and the Russell Group for student satisfaction. However, the University is not complacent, and issues raised by students through the NSS continue to be added to the University's ongoing NSS action plan.

While not a direct measurement of student satisfaction or the student experience, the University's performance in national and international league tables is an important indicator of overall quality of provision. The University's international league table positioning has remained relatively stable in recent years, falling two places to 65th in the QS World University Rankings (2016: 63rd) and gaining 8 places from last year's THES World University Rankings to 80th (2016: 88th). The University's ranking in the Shanghai Jiao Tong is within the 101-150 band. The University's performance in the domestic league tables is between 20th and 27th in the three main UK tables (The Guardian, The Independent, The Times/Sunday Times). The University was named the Scottish University of the year 2018 by the Good University Guide, along with being shortlisted for the University of the year.

OPERATING AND FINANCIAL REVIEW

Continued

Recruitment

The University met all of its recruitment targets for 2016-17 whilst maintaining the high average qualification tariff for new students that the University has held for the last five years. The formula used to calculate tariff changed across the sector in 2016-17; partly as a result of this, the University's entry tariff ranking within the Russell Group improved on its already competitive placing, rising from tenth to fifth. The University has also had significant success in recruitment to taught postgraduate programmes with numbers rising by 7% in 2016-17 (2016: increase of 30%).

Research

The University's focused investment in recruiting and nurturing research leadership has led to substantial grant income. Glasgow is in 5th place in the Russell Group for research income per FTE, and we have had notable successes in attracting multi-million pound awards of an increasingly collaborative and interdisciplinary nature to tackle worldwide problems. This includes a £7.1m grant from the new Global Challenges Research Fund (GCRF) to examine large-scale rural to urban migration, thus contributing to the development of sustainable cities and communities. Income growth has been facilitated by recent investments in research support and by strategic programmes for recruiting research students, fellows and internationally recognised professors.

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

Internationalisation

The University continued to see a steady year-on-year increase in entrants from students outside the EU, with sustained growth for the eighth consecutive year. International registrations in 2016-17 grew by over 7% on the previous year and growth was seen at all levels of study. The University also met the strategic KPI target of 5,000 international students three years ahead of schedule. The University's continued success in attracting international students reflects the efforts put into strategic country marketing campaigns and the return on investment from the University's in-country based International Recruitment Officers.

The International Summer School (ISS) has grown significantly year-on-year, resulting in a more diverse portfolio of courses on offer but more importantly a growth in international student numbers. 221 students enrolled for summer 2017, a growth of 82% on the previous year; this resulted in revenue from the ISS now exceeding £0.5m. The ISS has also allowed the University to develop bespoke programmes for some of its global partners, such as the University of California.

The University continues to develop its partnership with Glasgow International College (GIC) to offer academic skills and English language courses preparing international students for entry to the University's undergraduate and postgraduate programmes. Applications to GIC grew once again in 2016-17, and for the first time in the ten-year relationship, new entrants to the University from GIC are expected to exceed 600 in session 2017-18. New pathways for several of the Colleges have also been approved and will commence in the coming session.

In recent years, the University has established Transnational Education (TNE) partnerships with the Singapore Institute of Technology (SIT), University of Electronics Science and Technology of China (UESTC) and Nankai University to enable students to gain a University of Glasgow degree overseas whilst being taught by University of Glasgow staff. The University comfortably hit its overall targets for 2016-17, with 1,735 students studying for Glasgow degrees: 78 on degrees with Nankai, 944 on degrees with UESTC, and 706 undergraduate and 7 PhD students with SIT. Further growth is anticipated in 2017-18 with the expansion of TNE programmes in Civil Engineering.

Outcome Agreements

During 2012-13, in return for the increased financial settlement to the HE sector, the Scottish Government indicated that it expected the Scottish Funding Council to ensure that improved outcomes are delivered by universities that meet the priorities of the Scottish Government. 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.

During the year, the University agreed a new 3 year Outcome Agreement for the 2017-18 to 2019-20 with the SFC. This focused on the following areas: widening access, high quality learning and teaching, world leading research, innovation and governance. The document also has a number of cross-cutting themes that included: partnership working, gender, employer engagement and carers.

Widening Participation

Widening Participation (WP) remains a prominent and important strategic area for the University. We made extensive contributions to the Scottish Government's Commission on Widening Access with much of our work cited as sector leading best practice. We are now actively contributing to implementation discussions and planning. Meanwhile we continue to exceed our MD20 (Most Deprived 20%) recruitment targets and lay the groundwork to exceed increased targets in the future. We engaged a record number of school pupils in 2016-17, over 20,000 Primary 7 – Secondary 6 pupils, up from just over 4,000 Secondary 4 - Secondary 6 pupils five years ago. This year also saw the first cohort of Reach Programme students graduate and our largest ever WP Summer School with successful students progressing into HE study.

OPERATING AND FINANCIAL REVIEW Continued

Income and expenditure

Overall the University enjoyed another successful year financially as follows:

	2017 £000	2016 £000
Total income	607,843	579,934
Total expenditure	(569,582)	(549,104)

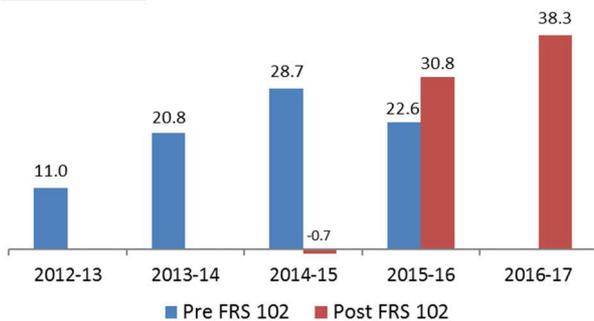
Surplus after depreciation of PPE at valuation and before exceptional items

	2017 £000	2016 £000
Surplus after depreciation of PPE at valuation and before exceptional items	38,261	30,830
R&D tax credits ("RDEC") and deferred capital grants released	-	2,618
Contract cancellation expense	-	(21,903)

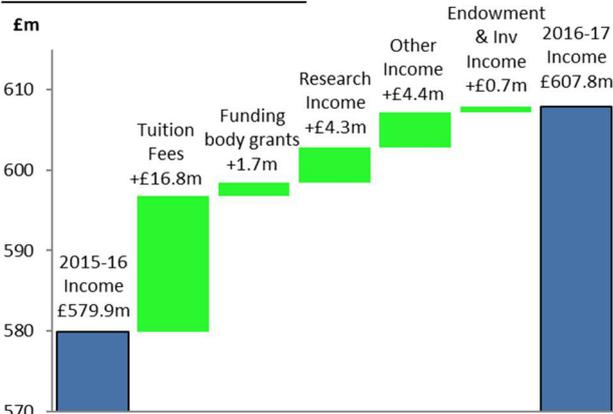
	2017 £000	2016 £000
Surplus before other gains	38,261	11,545

The graph below shows the trend in operating surplus over the last five years, including the FRS 102 conversion impact on the University financial statements for 2014-15 and 2015-16. This is the first year where the University subsidiaries' financial statements have been prepared in accordance with FRS102, although the impact of this is immaterial.

£m - Operating Surplus excluding exceptional items Five Year History



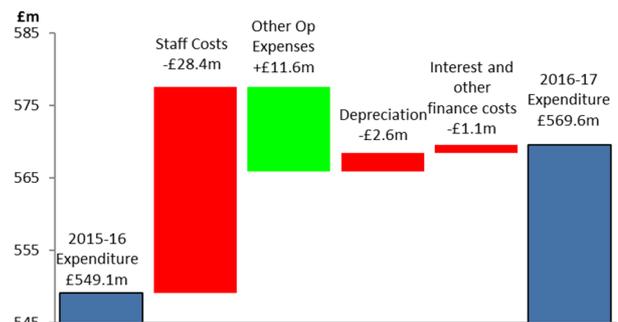
Income - Year on Year movement



Total income excluding exceptional items increased by £27.9m or 4.8% from 2015-16 to 2016-17. The main movements are as follows:

- Income from tuition fees and education contracts grew by £16.8m or 10.4% to £178.4m (2015-16: £161.6m). The largest movement was in overseas students, with income growing by 14.3% (2015-16: 19.2%) from increased student numbers and average fees;
- Income from funding body grants increased by £1.7m or 1.1% in 2016-17 (2015-16 decrease 1.2%), primarily driven by increased infrastructure grants, partially offset by a fall in the main teaching grant;
- Underlying research income (research income excluding movements in capital grants) has increased by £12.2m during the year. This is offset by a reduction in capital grant income of £7.9m. This resulted in a net increase of income from research grants and contracts before exceptional items of £4.3m or 2.5% in 2016-17;
- Other income increased by £4.4m or 5.9%. The main movement is primarily related to increased income from donations, ERDF donation for new scanners, increased income from Glasgow International College offset by reduced residencies income;
- Endowment reduced by £0.4m and investment income increased by £1.1m.

Expenditure- Year on Year movement



Total expenditure excluding exceptional items increased by £20.5m or 3.7%. The main movements are as follows:

- Total staff costs increased by £28.4m or 9.6% in 2016-17 (2015-16 decrease of £9.2m or 3.0%). Underlying staff costs increased by £25.9m or 8.8% due to higher salary costs, social security and pension costs. The year on year movement in FRS 102 adjustments for unpaid holiday pay and Universities Superannuation Scheme ("USS") provision was an increase in expenditure of £2.5m primarily as a result of an increased unpaid holiday accrual in 2016-17. Staff numbers increased by 1.9% in the year to 31 July 2017;
- Other operating expenses decreased by £11.6m or 5.3%. The largest reduction related to a decrease in rental payments as a result of the repurchase of student residences in July 2016 from Glasgow Student Villages Ltd ("GSV") which accounted for £4.2m along with reduced utility costs of £1.4m and reduced spend on private providers of student accommodation of £1.1m.

Total exceptional items decreased by £19.3m to £nil. The movements are as follows:

- 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. These credits were withdrawn from universities after 2014-15 resulting in RDEC recoveries of £2.6m in 2015-16, representing final settlement of prior period estimates;

OPERATING AND FINANCIAL REVIEW

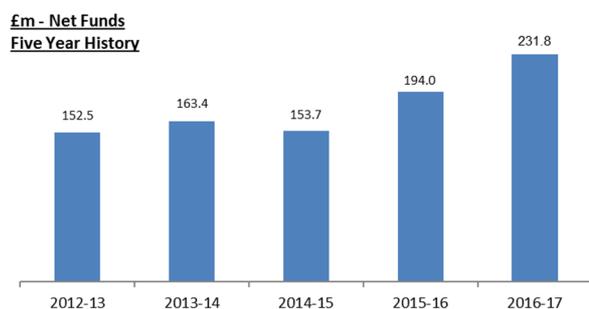
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- In 2015-16 there is an expense of £21.9m relating to contract cancellation costs associated with the repurchasing of student residences from Glasgow Student Villages Ltd ("GSV").

Net funds and cash flow

During the year the University raised £175m of unsecured private placement funding for the campus redevelopment programme. Separately, the University invested £175.5m of internally generated funds in investment funds. These funds will be drawn down when required to fund the campus redevelopment programme.

Net funds increased in the year by £37.8m to a closing balance of £231.8m at 31 July 2017. The five year net funds history is as follows:



The main cash inflows were from operating activities +£77.2m and financing activities of +£173.8m offset by investing activities (-£213.1m). The net inflow from operating activities represents the operating surplus of £56.6m and an inflow of £20.6m related to a rise in non-cash adjustments, primarily due to depreciation. Cash inflow from financing activities represents the £175m unsecured private placement funding and the main cash outflow was the transfer of £175.5m into investment funds. Capital expenditure for the year was £38.0m, which was £37.8m lower than 2015-16. Capital commitments authorised but not yet contracted increased by £82.7m in the year to £108.6m at the balance sheet date, primarily related to the Learning and Teaching Hub building and infrastructure associated with the campus redevelopment programme.

Pension liability

The FRS 102 pension liability for the University of Glasgow Pension Scheme (UGPS) and the Strathclyde Pension Fund (SPF) has increased in the year from £53.3m to £62.1m. The University made an additional contribution of £19.6m towards the UGPS deficit during 2017; however the overall liability increased primarily due to an increase in the inflation assumptions which drove higher liabilities and resulted in an actuarial loss of £23.9m. Under FRS 102 the University records the present value of its deficit recovery commitments for the Universities Superannuation Scheme USS. During the year this provision increased from £52.0m to £54.8m.

Investment performance

In the past financial year, the value of global stock markets has risen. The value of endowment asset investments increased from £170.9m to £188.4m with new endowment bequests received during the year decreasing from £1.5m to £1.2m. The increase in the market value of the endowment funds was £12.9m in the year 2016-17 compared with £4.0m in 2015-16. The performance of the fund managers continues to be monitored by the Investment Advisory Committee against targets set by the committee. These targets are reviewed regularly. To diversify holdings and improve returns on cash holdings the University invested £175.5m in investment funds

during the year. These will be drawn down when required for the campus redevelopment programme. The performance of these funds and amount invested is being monitored by a Finance sub-committee. The performance of the group's spin outs and associated listed investments remained consistent year on year. This was principally due to a disposal of shares in Cara Therapeutics Inc., resulting in proceeds of £3.1m and a net gain of £2.1m. The University also recognised an increase in the value of its investment in Cronin Group Plc as these became tradable during the year.

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 2017 the University's outstanding payments represented approximately 9 days' purchases. This is a decrease from 12 days in 2016. The University has no matters to disclose under the Late Payment of Commercial Debts (Interest) Act 1998.

Treasury management

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

As noted above the University has invested £175.5m in investment funds. The level of investment in these funds and fund performance is overseen by a Finance sub-committee. The University's remaining non-endowment cash balances are primarily held in the form of interest bearing deposits with financial institutions. In accordance with University policy the non-endowment cash balances of the University can be invested in temporary cash deposits with the major clearing banks, building societies and money market funds up to a maximum of thirty five million pounds with any one institution, or higher with specific approval from Finance Committee. The institution must be rated at a minimum of BBB+ (as per Standard and Poor's long term rate) with money market funds at a minimum of A+ rated. The length of deposit is a maximum of ninety five days. The University is exposed to changing interest rates, although the exposure is viewed as low given that interest income accounts for less than 0.2% of the total income of the University in 2016-17.

Accounting policies

The University financial statements have been prepared in accordance with the Statement of Principal Accounting Policies as set out on pages 14 to 17. The format of the financial statements reflects the format as required by the 2015 SORP. The notes to the financial statements reflect best practice guidance given by the British Universities Finance Directors' Group and also any requirements issued by the Scottish Funding Council in its annual accounts instructions. Where a prior year restatement is required, this is disclosed within the Statement of Principal Accounting Policies.

Disability policy

The University is committed to the implementation of a policy to achieve equality of opportunity for students, members of staff, potential students, potential members of staff and lay members of Court and other governance committees, and to meeting the requirements of all relevant external legislation. To enable the University to fulfil its mission statement the aim is to build an inclusive and supportive environment which meets the needs of all staff, students and visitors to the University. The Disability

OPERATING AND FINANCIAL REVIEW

Continued

Policy provides a framework for promoting disability equality with the aim of identifying and removing any barriers which exist for disabled people using the University's facilities, and enabling them to access as fully as possible all education, employment, social and leisure opportunities.

Equality and diversity policy

The University is committed to ensuring that the creativity, innovation and talents of its people are fully utilised. The University community is made up of a wide range of people with diverse backgrounds and circumstances, which is valued and regarded as a great asset. The University has developed a policy that aims to challenge discrimination, promote and implement equality measures, progress social justice and to strive to ensure that no one is disadvantaged. The policy also looks to ensure that the University complies with all current and relevant anti-discrimination legislation. By adopting this policy the University accepts its responsibility to ensure that discrimination does not take place and that everyone in the University is treated equally and fairly.

Ethical investment policy

It is the role of Court to set out the ethical platform on which the University's asset investments are managed. The University's approach is set out in the Socially Responsible Investment Policy which was approved by Court in October 2009. Court requires its investment managers to commit to Socially Responsible Investment within their investment policies. In addition, it prohibits direct investment in the tobacco industry, as such investment would run counter to the University's direct interest in research. Court has committed to a phased reduction in the University's direct investment in the fossil fuel extraction industry. The first phase of that divestment strategy is now being implemented which means that, by July 2019, the value of the investments held in fossil fuel extraction will be no more than 6.4% of the University's total endowment investment.

Future developments and principal risks and uncertainties

The University continues to grow its student numbers in a controlled and sustainable manner, carefully balancing income generation targets against estate capacity and the need to protect the quality of the student experience. The University's international student population grew by 10.2% in 2016-17, a significant rise that puts the University on course to hit its 2020 KPI target earlier than anticipated. Similarly, 4% growth in the University's research postgraduate population and 7% growth in its taught postgraduate population have also put the associated 2020 KPI targets well within reach in the year ahead.

The UK government lifted the cap on student recruitment for universities in England, Northern Ireland and Wales (RUK) in 2015-16, allowing institutions to determine their own capacity level. Early indications suggest that the policy has increased competition to recruit the best students across the UK, particularly at the clearing stages, with many universities offering an increased number of places. This caused no significant impact on the University's ability to recruit the best students in 2016-17, and the early signs are that this has had a similarly limited impact on the recruitment profile for 2017-18. We will continue to assess the ongoing impact of the removal of the cap on student recruitment and take action where necessary.

It has now been five years since Scottish Universities were first permitted to charge RUK students up to £9,000 per year; for the 2017-18 intake, this figure has been uplifted to £9,250 in line with fees charged in England. The University of Glasgow continues to implement a variable RUK fees regime in which the highest fees only apply to Medicine, Dentistry and Veterinary Medicine. All other courses over three years in

duration are charged at £9,250 with fees waived in the final year to ensure that the University's four-year Scottish undergraduate degree remains financially competitive with its three-year RUK competitors.

Growth in the University's income in recent years has depended upon double-digit growth in the number of students recruited from outside the EU. Maintaining this growth against the backdrop of the twin threats of increased competition in the global higher education sector and the UK's decision to withdraw from the European Union ("Brexit"), with its accompanying uncertainties surrounding the future immigration regime for students, is a significant risk. Early data suggests that this uncertainty has not had a negative impact on recruitment for 2017-18.

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

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

The HEFCE-administered Teaching Excellence Framework (TEF) exercise was undertaken for the first time in 2016-17, assessing Universities' teaching quality against a range of criteria with a view to awarding them a gold, silver or bronze award. TEF is predominantly an English HE exercise, and while Scottish universities could voluntarily take part, the majority of Scottish HEIs (including Glasgow) declined on the grounds of the Scottish sector's distinctive approach to quality assurance and enhancement. However, internal benchmarking exercises based on TEF metrics suggest that Glasgow is competitively placed among its UK peers with respect to the quality of its teaching.

In March 2017, the UK Government launched the independent Industrial Strategy Commission to develop evidence-based policy recommendations for a new UK Industrial Strategy. The interim report of the Commission sets out a vision of "long-term" institutions such as Universities to act as stewards and engines of the Industrial Strategy, tackling major national and global "grand challenge". The Commission's vision complements the University's own plans to establish an Innovation District in the West End and Waterfront area of the city, and the University will continue to work with Glasgow City Council and other major stakeholders to bring these ambitions to fruition.

Rising staffing costs continue to cause significant pressure due to cost of living and incremental pay increases outstripping income increases from the Scottish Funding Council. Deficits to the University's UGPS and USS pension schemes also remain volatile due to the large drop in long-term interest rates.

OPERATING AND FINANCIAL REVIEW

Continued

During 2015-16, the University officially took vacant possession of the former Western Infirmary site that borders the existing campus. This is an unprecedented development opportunity for an urban university, offering the potential to expand the footprint of our main estate by almost 50% and create a visionary and inspiring campus for future generations. The Western Site will be the core focus of a £530m building programme as part of the campus redevelopment masterplan; an ambitious but achievable programme of capital development that will be managed through a carefully balanced spending profile comprising future cash generation, disposals, existing reserves, and a major donor fundraising campaign that is expected to launch publicly in late 2018.

Professor Anton Muscatelli
Principal

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

Graeme Bissett
Convener of Finance Committee

The main contractor for the site was appointed during 2016-17 and work has begun to demolish buildings on the site allowing for the construction of new fit-for-purpose teaching, learning and research buildings. The first of these new buildings is currently under construction, a £100m Learning and Teaching Hub. The building is expected to be complete to allow it to be used for teaching in the 2019-20 academic session.

Robert Fraser
Director of Finance

Summary

The University has made good progress in recent years towards the achievement of its strategic ambitions. The external environment, including below-inflation increases in funding from the SFC, the changes to the fee regime for UK students, increasing pension deficits, and the uncertainties surrounding the post-Brexit settlement continue to pose significant challenges. However, the University is currently in a strong financial position. This, coupled with the capacity, and continuing ability, to recruit additional international and postgraduate students saw the University deliver a strong surplus in 2016-17.

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

CORPORATE GOVERNANCE STATEMENT

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 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.

In the opinion of the members of Court, the University complies with the 2013 Scottish Code of Good HE Governance in so far as it applies to the higher education sector and it has complied throughout the year ended 31 July 2017.

University governance

Much of the University's modern constitutional framework derives from the Universities (Scotland) Act 1966, which updated and expanded on the Universities (Scotland) Acts 1858 to 1932. The University also complies with the Post-16 Education (Scotland) Act 2013 and the Higher Education Governance (Scotland) Act 2016. These Acts make provision for the three main statutory bodies in the governance of the University - Court, the Senate and the General Council.

Court

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

Court has ultimate responsibility for the deployment of resources in the University, and for the strategic plans of the institution. It does not normally generate proposals, but receives them from other bodies within the University - most notably the Senate and the Senior Management Group. It also has a monitoring role in relation to the overall performance of the University, and it holds the Principal 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 the financial year 2016-17, consisted of: the Rector (who is elected by the students of the University), the Principal, the Chancellor's Assessor, a representative of Glasgow City Council, two assessors elected by the General Council, six assessors elected by Senate, two employee representatives, the President of the Students' Representative Council, one assessor elected by the Students' Representative Council, and nine independent members appointed by Court, one of whom is appointed Convener of Court. During 2016-17 the Convener of Court was Elizabeth Passey. When vacant, the position of Convener 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 and the method of selecting the Convener will be affected by the terms of the Higher Education Governance (Scotland) Act 2016.

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

reference. Committees report to Court through their Chair, who - with one exception (the Health, Safety & Wellbeing Committee) - is an independent member of Court. The Committees have each been required by Court to appoint a Vice-Chair, and Court itself has also appointed a Vice-Convener, who is an independent member of Court (Graeme Bissett).

The **Finance Committee** monitors the financial performance of the University and its associated legal entities. It considers financial policies and issues and makes recommendations to Court on these matters and with regard to the importance of financial sustainability. It also considers the reports and financial statements and revenue / capital budgets of the University and its associated legal entities and makes recommendations to Court thereon. The Committee was chaired by Ken Brown, an independent member of Court, during the year to 31 July 2017, The Vice-Chair appointed during the 2016-17 year was Graeme Bissett, an independent member of Court. Graeme Bissett became chair of the committee from August 2017. The Committee normally meets five times a year.

The **Audit & Risk Committee** oversees the arrangements for external and internal audit of the University's financial and management systems and of activities and processes related to these systems. The Committee normally meets four times a year, with the University's external and internal auditors in attendance. Dr Paul Brady, an independent external member (though not a Court member), chaired the Committee until 30 September 2016, when he was succeeded by Heather Cousins, an independent member of Court. The Vice-Chair appointed during the 2016-17 year was Simon Bishop, an external independent member who is not a member of Court.

The **Remuneration Committee** makes recommendations to Court on the process of determining salary awards for senior staff and determines the Principal's remuneration in the absence of the Principal. Details of the remuneration of senior post-holders for the year ended 31 July 2017 are set out in note 7 to the financial statements. The Committee was chaired by Ken Brown, an independent member of Court, during the year to 31 July 2017. The Vice-Chair appointed during the 2016-17 year was June Milligan, an independent member of Court, June Milligan became chair of the committee from August 2017. The Committee meets at least once a year.

The **Human Resources Committee** reviews the University's HR Strategy and, through agreed performance indicators, monitors its relevance, implementation and effectiveness; ensures that the strategy is consistent with and supports the University's mission, vision and values; monitors compliance with the legal and regulatory framework for HR and ensures the adoption of best practice; acts as a sounding board for the University's executive officers and HR function, providing advice, from a breadth of perspectives, on human resource management issues; and ensures that the University's senior management demonstrate the importance of HR to the institution by providing support and leadership to all staff. During the period of the financial statements 2016-17, the Committee was chaired by the Secretary of Court David Newall from 1 August 2016 to 30 September 2016, and thereafter by an independent member of Court, June Milligan. The Vice-Chair appointed during the 2016-17 year was Rob Goward, an external independent member who is not a member of Court. The Committee normally meets five times a year.

The **Nominations Committee** makes recommendations to Court on the appointment of independent members to Court and on the appointment of the chair and members of Court Committees, having regard to the skills and experience required.

CORPORATE GOVERNANCE STATEMENT

Continued

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 Elizabeth Passey, the Convener of Court, and normally meets two or three times a year.

The **Estates Committee** develops and maintains strategic estate plans for consideration by Court taking into account academic need, resource implications and the importance of environmental sustainability. The Committee was chaired by an independent member of Court: Margaret Morton, until 30 September 2016, and thereafter by Ronnie Mercer, an independent member of Court. The Vice-Chair appointed during the 2016-17 year was David Milloy, an independent member of Court. The Committee normally meets five times a year.

The **Health, Safety and Wellbeing Committee** provides a forum within which consultation and discussion may take place between representatives of University management and representatives of staff and students on health, safety and wellbeing matters. The Committee will also make representations and recommendations to Court as required. The Committee was chaired by the Secretary of Court David Newall until 31 March 2017 and thereafter by the Chief Operating Officer and University Secretary, Dr David Duncan. The Vice-Chair appointed during the 2016-17 year was Richard Claughton, Deputy Director of Human Resources. The Committee 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

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

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. It meets twice a year and is chaired by the Chancellor.

Statement of internal control

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

The **Senior Management Group** receives reports setting out key performance and risk indicators and considers possible control issues brought to their attention by early warning mechanisms. A key control is the Principal's Budget Briefing which takes place in May of each year. This meeting is

attended by the Heads of College. The Budget Briefing provides a forum for the Principal and the Heads of College to discuss the key strategic issues within each College. These meetings are also attended by the Vice Principal for Strategy and Resources and senior staff from the Finance Office.

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

The University's internal auditors monitor the systems of internal control, risk management controls and governance processes in accordance with an agreed plan, and report their findings to management and the Audit & Risk Committee. Management is responsible for the implementation of agreed audit recommendations and the internal auditors undertake periodic follow-up reviews to ensure that such recommendations have been implemented. The Audit & Risk Committee considers summarised reports together with recommendations for the improvement of the University's systems of internal control and management's responses and implementation plans.

Whilst senior executives attend meetings of the Audit & Risk Committee as necessary, they are not members of the Committee and the Committee meets the internal and external auditors on their own for independent discussions. Court receives regular reports from the Audit & Risk Committee, including reports relating to the University's risk register, and has during 2016-17 agreed that on an annual basis Court will also review the University's risk register.

Court is of a view that there is an ongoing process for identifying, evaluating and managing the University's significant risks, and that it has been in place throughout the year ended 31 July 2017 and up to the date of approval of the annual reports and financial statements.

General data protection regulation

The University is aware of the significant changes in data protection laws to be introduced in May 2018 and has established a programme to prepare for this.

Modern Slavery Act statement

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

Going concern

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

Elizabeth Passey

Convener of Court

Date: 13 December 2017

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

In causing the financial statements to be prepared, Court has to ensure that suitable accounting policies are selected and applied consistently, judgements and estimates are made that are reasonable and prudent, applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements and that the financial statements are prepared on the going concern basis unless it is inappropriate to assume that the University will continue in operation. Court is satisfied that it has adequate resources to continue in operation for the foreseeable future: for this reason the going concern basis continues to be adopted in the preparation of the financial statements.

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

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

- clear definitions of the responsibilities of, and the authority delegated to, heads of academic and administrative departments;
- a comprehensive medium and short-term planning process, supplemented by detailed annual income, expenditure, capital and cash flow budgets and regular reviews of academic performance and quarterly reviews of financial results and forecast outturns;
- clearly defined and formalised requirements for approval and control of expenditure, with investment decisions involving capital or revenue expenditure being subject to formal detailed appraisal and review according to approval levels set by Court;

- comprehensive Financial Regulations detailing financial controls and procedures;
- an Internal Audit service, the annual programme of which is approved by the Audit & Risk Committee.

The Audit & Risk Committee, on behalf of Court, has reviewed the effectiveness of the system of internal control. Such a system is designed to manage rather than eliminate the risk of failure to achieve business objectives and can only provide reasonable and not absolute assurance against material misstatement or loss. Court is satisfied that there is an ongoing process for identifying, evaluating and managing the University's significant risks that has been in place for the year ended 31 July 2017 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 Duncan
Chief Operating Officer and University Secretary

On behalf of Court
Date: 13 December 2017

MEMBERSHIP OF COURT

Members of Court who served during the year to 31 July 2017 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)		
Mr Aamer Anwar (from Mar 2017)	(Mar 2020)		
The Principal and Vice-Chancellor			
Professor Sir Anton Muscatelli	(Sep 2024)	(FC) (HRC) (EC) (NC) (RC)	
The Chancellor's Assessor			
Mr Murdoch MacLennan	(Dec 2017)	(NC)	*
Assessor of City of Glasgow Council			
Councillor Pauline McKeever	(May 2017)		*
Councillor Susan Aitken (from Jun 2017)	(May 2020)		*
General Council Assessors			
Dr Morag Macdonald Simpson	(Jul 2018)	(HRC)	*
Ms Lesley Sutherland	(Jul 2018)	(ARC) (NC)	*
Senate Assessors			
Professor Lindsay Farmer	(Jul 2019)	(HRC) (ARC)	
Dr Carl Goodyear	(Jul 2018)	(FC) (NC)	
Professor Nick Hill	(Jul 2019)	(HRC)	
Dr Simon Kennedy (from Aug 2017)	(Jul 2021)		
Professor Karen Lury	(Jul 2017)	(EC)	
Professor Kirsteen McCue (from Aug 2017)	(Jul 2021)		
Dr Duncan Ross	(Jul 2017)	(FC) (NC) (ARC)	
Professor Paul Younger	(Mar 2017)	(EC)	
Dr Bethan Wood (from Sep 2017)	(Jul 2021)	(EC)	
Employee Representatives			
Mr David Anderson	(Jan 2018)		
Ms Margaret Anne McParland	(Jul 2018)		
Co-opted Members of Court			
Mr Graeme Bissett	(Dec 2017)	(FC)	*
Mr Ken Brown	(Jul 2017)	(FC) (RC)	*
Ms Heather Cousins	(Mar 2018)	(ARC) (NC)	*
Mr David Finlayson (from Oct 2017)	(Oct 2021)		*
Mr Ronnie Mercer	(Oct 2019)	(EC) (RC)	*
Ms June Milligan	(Oct 2019)	(HRC) (RC)	*
Mr David Milloy	(Dec 2017)	(EC)	*
Ms Margaret Morton	(Dec 2016)	(EC) (FC)	*
Ms Elspeth Orcharton (from Oct 2016)	(Oct 2020)	(FC)	*
Ms Elizabeth Passey	(Jul 2020)**	(FC)(RC)(NC)	*
Mr Gavin Stewart (from Apr 2017)	(Mar 2021)	(FC)	*
President of the Students' Representative Council			
Mr Ameer Ibrahim	(Jun 2017)	(FC) (EC) (NC)	
Ms Kate Powell (from Jul 2017)	(Jun 2018)	(FC) (EC) (NC)	
Assessor of the Students' Representative Council			
Ms Morag Deans (from Oct 2015)	(Oct 2016)		
Ms Lauren McDougall (from Oct 2016)	(Oct 2017)		
Mr Elliot Napier (from Oct 2017)	(Oct 2018)		
Secretary of Court/University Secretary			
Mr David Newall (Secretary of Court)	(Apr 2017)	(EC) (HRC) (NC) (HSWC)	
Dr David Duncan (University Secretary) (from Apr 2017)		(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 & Risk Committee (ARC); Remuneration Committee (RC); Nominations Committee (NC); Health, Safety and Wellbeing Committee (HSWC).

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

Court attendance records can be found at: <https://www.gla.ac.uk/myglasgow/courtoffice/universitycourtandcourtmeetings/courtminutes/>

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

Opinion

We have audited the Consolidated and University financial statements of the University of Glasgow for the year ended 31 July 2017 which comprise the Statement of Principal Accounting Policies, Consolidated and University Statement of Comprehensive Income and Expenditure, Consolidated and University Statement of Changes in Equity, Consolidated and University Balance Sheet, the Consolidated Cash Flow Statement and the related notes 1 to 25. 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), including FRS 102 "The Financial Reporting standard applicable in the UK".

In our opinion the financial statements:

- give a true and fair view of the state of the Group's and of the University's affairs as at 31 July 2017 and of the Group's and the University's income and expenditure, recognised gains and losses, and the Group's cash flows for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including FRS 102 "The Financial Reporting standard applicable in the UK";
- have been properly prepared in accordance with the Statement of Recommended Practice: Accounting for Further and Higher Education; and
- have been prepared in accordance with the requirements of the Charities and Trustee Investment (Scotland) Act 2005 and regulation 14 of the Charities Accounts (Scotland) Regulations 2006.

Basis for opinion

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

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

Conclusions relating to going concern

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

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

Other information

The other information comprises the information included in the annual report set out on pages 1 to 11, other than the financial statements and our auditor's report thereon. The University Court is responsible for the other information.

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

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

We have nothing to report in this regard.

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

In our opinion, in all material respects:

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

Matters on which we are required to report by exception

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

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

Responsibilities of the University Court

As explained more fully in the fully in the Statement of the Responsibilities of Court set out on page 10, the University Court is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the University Court determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Continued

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

Auditor's responsibilities for the audit of the financial statements

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

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

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

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

The maintenance and integrity of the University of Glasgow website is the responsibility of the University Court; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.

Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Ernst & Young LLP
Statutory auditor
Glasgow

Date: 14 December 2017

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

STATEMENT OF PRINCIPAL ACCOUNTING POLICIES

Statement of compliance

The University of Glasgow is a not-for-profit University operating in Scotland. The Registered Office is University Avenue, Glasgow G12 8QQ, Scotland, UK. The consolidated financial statements have been prepared in compliance with Financial Reporting Standard 102 (FRS 102) as it applies to the financial statements of the group for the year ended 31 July 2017.

Basis of preparation

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

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

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

Basis of consolidation

The consolidated financial statements consolidate the financial statements of the University of Glasgow, its subsidiary companies and unincorporated undertakings for the financial year to 31 July 2017. Also consolidated are the results of the University of Glasgow Trust, an independent charity, set up to collect donations and disburse them for the benefit of the University. The consolidated financial statements do not include the income and expenditure of the University of Glasgow Students' Unions as the University does not exert control or dominant influence over them.

Income recognition

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

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

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

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

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

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

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

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

Investment income is credited to the Income Statement on a receivable basis.

Donations with no restrictions are recorded within the Income Statement when the University is entitled to the income.

Donations and endowments with restrictions are classified as restricted reserves with additional disclosure provided within the notes to the accounts.

There are four main types of donations and endowments with restrictions:

1. Restricted donations - the donor has specified that the donation must be used for a particular objective.
2. Unrestricted permanent endowments - the donor has specified that the fund is to be permanently invested to generate an income stream for the general benefit of the University.
3. Restricted expendable endowments - the donor has specified a particular objective, no capital element is required to be maintained, and the University can convert the donated sum into income. Alternatively, where the funds donated with a specific restriction are so large that the funds will need to be retained over a period of two years.
4. Restricted permanent endowments - the donor has specified that the fund is to be permanently invested to generate an income stream to be applied to a particular objective.

Property, plant & equipment

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

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

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

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

Land and assets under construction are not depreciated.

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

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

STATEMENT OF PRINCIPAL ACCOUNTING POLICIES

Continued

Repairs and maintenance

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

Donated assets

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

Heritage assets

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

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

Expenditure which is required to preserve or clearly prevent further deterioration of individual collection items is recognised in the Income Statement when it is incurred. The heritage assets are deemed to have indeterminate lives and therefore it is not considered appropriate to charge depreciation.

Further information on the collections and details of the University's management policy in respect of heritage assets is summarised in note 13.

Investments

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

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

Revaluation

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

Stocks

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

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

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

Agency arrangements

Funds the University receives and disburses as the paying agent on behalf of a funding body or other body, where the institution is exposed to minimal risk and enjoys minimal economic benefit related to the receipt and subsequent disbursement of the funds, are excluded from the Income Statement of the institution. The balances and movement on these funds are disclosed in note 23 to the financial statements.

Taxation

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

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

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

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

Cash and cash equivalents

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

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

Cash and cash equivalents contains sums relating to endowment reserves which have yet to be passed to the investment fund managers. The University is restricted as to how they disburse these funds. Note 19 summarises the assets restricted in their use.

Foreign currencies

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

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

STATEMENT OF PRINCIPAL ACCOUNTING POLICIES

Continued

Interest-bearing loans and borrowings

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

Provisions, contingent liabilities and contingent assets

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

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

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

Employee benefits

Short-term employee benefits

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

Post-employment benefits (pensions)

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

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

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

The amount charged to the Income Statement represents the contributions payable to the scheme in respect of the accounting period, excluding any extra costs incurred related to reducing scheme deficits already provided for. A liability is recorded within provisions for any contractual commitment to fund past deficits within the multi-employer schemes as determined by the scheme management. The associated expense is recognised in the Income Statement.

Intra group transactions

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

Reserves

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

Leases

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

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

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

Service concession arrangements

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

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

Short-term debtors and creditors

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

Judgements and key sources of estimation uncertainty

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

Operating lease commitments

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

STATEMENT OF PRINCIPAL ACCOUNTING POLICIES

Continued

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

Pension and other post-employment benefits

The cost of defined benefit pension plans and other post-employment benefits are determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, future salary increases, mortality rates and future pension increases. Due to the complexity of the valuation, the underlying assumptions and the long term nature of these plans, such estimates are subject to significant uncertainty. In determining the appropriate discount rate, management considers the interest rates of corporate bonds in the respective currency with at least AA rating, with extrapolated maturities corresponding to the expected duration of the defined benefit obligation. The underlying bonds are further reviewed for quality, and those having excessive credit spreads are removed from the population bonds on which the discount rate is based, on the basis that they do not represent high quality bonds. The mortality rate is based on publicly available mortality tables for the specific country. Future salary increases and pension increases are based on expected future inflation rates for the respective country. Further details are given in note 25.

CONSOLIDATED AND UNIVERSITY STATEMENTS OF COMPREHENSIVE INCOME AND EXPENDITURE

for the year ended 31 July 2017

Consolidated Statement of Comprehensive Income and Expenditure		2016 before exceptional items		Exceptional items	2016
Note	2017 £000	£000	£000	£000	£000
Income					
Tuition fees and education contracts	1	178,399	161,586	-	161,586
Funding body grants	2	160,362	158,693	-	158,693
Research grants and contracts	3/10	179,497	175,172	2,618	177,790
Other income	4	79,214	74,832	-	74,832
Investment income	5	9,206	8,127	-	8,127
New endowment income	6	1,165	1,524	-	1,524
Total income		607,843	579,934	2,618	582,552
Expenditure					
Staff costs	7	323,460	295,064	-	295,064
Other operating expenses	9/10	208,492	220,131	21,903	242,034
Depreciation	12	33,453	30,882	-	30,882
Interest and other finance costs	8	4,177	3,027	-	3,027
Total expenditure		569,582	549,104	21,903	571,007
Surplus before other gains		38,261	30,830	(19,285)	11,545
Gain on disposal of non-current assets		4,478	1,067	-	1,067
Gain on investments		13,779	1,502	-	1,502
Surplus before tax		56,518	33,399	(19,285)	14,114
Corporation taxation	11	35	(34)	(547)	(581)
Surplus after tax		56,553	33,365	(19,832)	13,533
Exchange differences on translation of subsidiary undertakings		(37)	252	-	252
Actuarial loss recognised on defined benefit pension schemes	25	(23,878)	(2,398)	-	(2,398)
Total other comprehensive loss		(23,915)	(2,146)	-	(2,146)
Total comprehensive income for the year		32,638	31,219	(19,832)	11,387
Represented by					
Endowment comprehensive income for the year		17,439	6,631	-	6,631
Restricted comprehensive (loss)/income for the year		(3,229)	451	-	451
Unrestricted comprehensive income for the year		18,428	24,137	(19,832)	4,305
		32,638	31,219	(19,832)	11,387

CONSOLIDATED AND UNIVERSITY STATEMENTS OF COMPREHENSIVE INCOME AND EXPENDITURE

for the year ended 31 July 2017

University Statement of Comprehensive Income and Expenditure	Note	2017 £000	Before exceptional items £000	Exceptional items £000	2016 £000
Income					
Tuition fees and education contracts	1	174,676	158,432	-	158,432
Funding body grants	2	160,362	158,693	-	158,693
Research grants and contracts	3/10	179,803	175,172	2,618	177,790
Other income	4	82,286	76,142	-	76,142
Investment income	5	9,182	8,061	-	8,061
New endowment income	6	1,165	1,524	-	1,524
Total income		607,474	578,024	2,618	580,642
Expenditure					
Staff costs	7	321,008	293,062	-	293,062
Other operating expenses	9/10	207,790	221,246	21,903	243,149
Depreciation	12	32,886	30,721	-	30,721
Interest and other finance costs	8	4,173	3,027	-	3,027
Total expenditure		565,857	548,056	21,903	569,959
Surplus/(deficit) before other gains		41,617	29,968	(19,285)	10,683
Gain on disposal of non-current assets		2,150	855	-	855
Gain on investments		12,950	4,110	-	4,110
Surplus before tax		56,717	34,933	(19,285)	15,648
Corporation taxation	11	77	-	(547)	(547)
Surplus after tax		56,794	34,933	(19,832)	15,101
Exchange differences on translation of subsidiary undertakings		-	-	-	-
Actuarial loss recognised on defined benefit pension schemes	25	(23,878)	(2,398)	-	(2,398)
Total other comprehensive loss		(23,878)	(2,398)	-	(2,398)
Total comprehensive income for the year		32,916	32,535	(19,832)	12,703
Represented by					
Endowment comprehensive income for the year		17,439	6,631	-	6,631
Restricted comprehensive (loss)/income for the year		(3,229)	451	-	451
Unrestricted comprehensive income for the year		18,706	25,453	(19,832)	5,621
		32,916	32,535	(19,832)	12,703

CONSOLIDATED AND UNIVERSITY STATEMENTS OF CHANGES IN EQUITY for the year ended 31 July 2017

Consolidated	Income and expenditure account			Total £000
	Endowment £000	Restricted £000	Unrestricted £000	
Balance at 1 August 2015	164,316	4,627	581,783	750,726
Surplus from the statement of comprehensive income and expenditure	6,631	451	6,451	13,533
Other comprehensive loss	-	-	(2,146)	(2,146)
Total comprehensive income for the year	<u>6,631</u>	<u>451</u>	<u>4,305</u>	<u>11,387</u>
Balance at 1 August 2016	170,947	5,078	586,088	762,113
Surplus from the statement of comprehensive income and expenditure	17,439	(3,229)	42,343	56,553
Other comprehensive loss	-	-	(23,915)	(23,915)
Total comprehensive income for the year	<u>17,439</u>	<u>(3,229)</u>	<u>18,428</u>	<u>32,638</u>
Balance at 31 July 2017	<u>188,386</u>	<u>1,849</u>	<u>604,516</u>	<u>794,751</u>
University	Income and expenditure account			Total
	Endowment £000	Restricted £000	Unrestricted £000	£000
Balance at 1 August 2015	164,316	4,627	576,609	745,552
Surplus from the statement of comprehensive income and expenditure	6,631	451	8,019	15,101
Other comprehensive loss	-	-	(2,398)	(2,398)
Total comprehensive income for the year	<u>6,631</u>	<u>451</u>	<u>5,621</u>	<u>12,703</u>
Balance at 1 August 2016	170,947	5,078	582,230	758,255
Surplus from the statement of comprehensive income and expenditure	17,439	(3,229)	42,584	56,794
Other comprehensive loss	-	-	(23,878)	(23,878)
Total comprehensive income for the year	<u>17,439</u>	<u>(3,229)</u>	<u>18,706</u>	<u>32,916</u>
Balance at 31 July 2017	<u>188,386</u>	<u>1,849</u>	<u>600,936</u>	<u>791,171</u>

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

Endowment reserve which represents the value of donations by individuals in the form of a gift and is to be invested and only the income earned on that gift may be spent for a specific purpose.

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

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

BALANCE SHEETS
 as at 31 July 2017

		Consolidated 2017	University 2017	Consolidated 2016	University 2016
	Note	£000	£000	£000	£000
Non-current assets					
Property, plant & equipment	12	721,146	704,653	716,784	699,918
Investments	14	<u>363,609</u>	<u>382,042</u>	<u>172,779</u>	<u>191,216</u>
		<u>1,084,755</u>	<u>1,086,695</u>	<u>889,563</u>	<u>891,134</u>
Current assets					
Stock		829	602	826	635
Trade and other receivables	15	81,708	87,730	86,995	90,613
Cash and cash equivalents		<u>231,784</u>	<u>219,871</u>	<u>193,982</u>	<u>184,870</u>
		314,321	308,203	281,803	276,118
Less: Creditors – amounts falling due within one year	16	<u>(237,729)</u>	<u>(237,355)</u>	<u>(229,498)</u>	<u>(229,242)</u>
Net current assets		<u>76,592</u>	<u>70,848</u>	<u>52,305</u>	<u>46,876</u>
Total assets less current liabilities		<u>1,161,347</u>	<u>1,157,543</u>	<u>941,868</u>	<u>938,010</u>
Creditors: amounts falling due after more than one year	17	(245,000)	(245,000)	(70,000)	(70,000)
Provisions					
Pension provisions	25	(116,910)	(116,686)	(105,265)	(105,265)
Other provisions	18	<u>(4,686)</u>	<u>(4,686)</u>	<u>(4,490)</u>	<u>(4,490)</u>
Total net assets		<u>794,751</u>	<u>791,171</u>	<u>762,113</u>	<u>758,255</u>
Restricted reserves					
Income and expenditure reserve					
Endowment reserve	19	188,386	188,386	170,947	170,947
Restricted reserve	20	1,849	1,849	5,078	5,078
Unrestricted reserves					
Income and expenditure reserve					
Unrestricted reserve		<u>604,516</u>	<u>600,936</u>	<u>586,088</u>	<u>582,230</u>
Total reserves		<u>794,751</u>	<u>791,171</u>	<u>762,113</u>	<u>758,255</u>

The financial statements on pages 14 to 44 were approved by the University Court of the University of Glasgow on 13 December 2017 and were signed on its behalf by:

Professor Anton Muscatelli
Principal

Graeme Bissett
Convener of Finance Committee

Robert Fraser
Director of Finance

CONSOLIDATED CASH FLOW STATEMENT
for the year ended 31 July 2017

		2017	2016	Cash flow impact of GSV	2016
	Note	£000	£000	£000	£000
Cash flow from operating activities					
Surplus before tax and exceptional items		56,518	33,399	-	33,399
Exceptional items in income		-	2,618	-	2,618
Exceptional items in expenditure		-	-	(21,903)	(21,903)
Corporation taxation		35	(581)	-	(581)
Surplus for the year		56,553	35,436	(21,903)	13,533
Adjustment for non-cash items					
Depreciation	12	33,453	30,882	-	30,882
Increase in stock		(3)	(44)	-	(44)
Decrease in debtors		5,287	6,923	883	7,806
Increase in creditors falling due within one year		8,231	11,291	-	11,291
Decrease in creditors falling due after more than one year		-	(1,490)	(26,120)	(27,610)
Pension costs less contributions payable		(14,315)	3,471	-	3,471
Increase in other provisions		196	162	-	162
Changes in values of endowment assets		(10,268)	(2,034)	-	(2,034)
Changes in values of other investments		(762)	2,278	-	2,278
Adjustment for investing or financing activities					
Gain from the sale of non-current assets		(4,478)	(1,067)	-	(1,067)
Interest payable	8	4,177	3,027	-	3,027
Interest receivable	5	(852)	(1,179)	-	(1,179)
Net cash inflow from operating activities		77,219	87,656	(47,140)	40,516
Cash flow from investing activities					
Endowment assets acquired		(112,265)	(27,540)	-	(27,540)
Receipts from the sale of endowment assets		107,567	23,620	-	23,620
Payments to acquire other investments		(175,843)	-	-	-
Receipts from the sale of other investments		3,069	4,382	-	4,382
Payments to acquire property, plant and equipment	12	(37,993)	(58,634)	(17,130)	(75,764)
Proceeds from sale of property, plant and equipment		2,328	3,596	-	3,596
Net cash outflow from investing activities		(213,137)	(54,576)	(17,130)	(71,706)
Cash flows from financing activities					
Increase in creditors falling due after more than one year		175,000	-	70,000	70,000
Interest paid		(2,095)	-	-	-
Interest received		852	1,179	-	1,179
Net cash flows from financing activities		173,757	1,179	70,000	71,179
Currency translation		(37)	252	-	252
Increase in cash and cash equivalents in the year		37,802	34,511	5,730	40,241
Cash and cash equivalents at beginning of the year		193,982			153,741
Cash and cash equivalents at end of the year		231,784			193,982
Increase in cash and cash equivalents in the year		37,802			40,241

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 July 2017

1	Tuition fees and education contracts	Consolidated	University	Consolidated	University
		2017	2017	2016	2016
		£000	£000	£000	£000
	Home and EU students	37,570	37,570	37,105	37,105
	Rest of the UK Students	20,785	20,785	17,752	17,752
	Overseas students	99,843	96,120	87,384	84,230
	Short courses	5,412	5,412	5,215	5,215
	Other fees	1,736	1,736	1,753	1,753
	Research support grants	13,053	13,053	12,377	12,377
		178,399	174,676	161,586	158,432
2	Funding body grants	Consolidated	University	Consolidated	University
		2017	2017	2016	2016
		£000	£000	£000	£000
	Main teaching grant	82,223	82,223	85,466	85,466
	Main quality research grant	45,335	45,335	45,276	45,276
	Research postgraduate grant	7,407	7,407	7,375	7,375
	Knowledge transfer grant	1,409	1,409	2,394	2,394
	Infrastructure grants	11,930	11,930	6,607	6,607
	Other funding council grants	12,058	12,058	11,575	11,575
		160,362	160,362	158,693	158,693
3	Research grants and contracts	Consolidated	University	Consolidated	University
		2017	2017	2016	2016
		£000	£000	£000	£000
	Research Councils	69,732	69,732	74,122	74,122
	UK Charities	48,241	48,241	46,170	46,170
	UK Government including RDEC	29,630	29,630	26,687	26,687
	European Union (EU)	18,794	18,794	15,142	15,142
	UK industry	5,966	5,966	5,734	5,734
	Overseas	6,328	6,328	9,400	9,400
	Other sources	806	1,112	535	535
		179,497	179,803	177,790	177,790
4	Other income	Consolidated	University	Consolidated	University
		2017	2017	2016	2016
		£000	£000	£000	£000
	Residences and hospitality services	22,175	22,175	26,273	26,273
	Other services rendered	26,566	24,655	27,268	25,109
	Health authorities	4,377	4,377	4,552	4,552
	Other income	26,096	31,079	16,739	20,208
		79,214	82,286	74,832	76,142

NOTES TO THE FINANCIAL STATEMENTS
Continued

5	Investment income	Consolidated	University	Consolidated	University
		2017	2017	2016	2016
		£000	£000	£000	£000
	Income from expendable endowments	1,300	1,300	980	980
	Income from permanent endowments	7,054	7,054	5,320	5,320
	Endowment management fees	-	-	648	648
	Income from short-term investments	852	828	1,179	1,113
		9,206	9,182	8,127	8,061
		<hr/>	<hr/>	<hr/>	<hr/>
6	New endowment income	Consolidated	University	Consolidated	University
		2017	2017	2016	2016
		£000	£000	£000	£000
	New endowments	1,165	1,165	1,524	1,524
		1,165	1,165	1,524	1,524
		<hr/>	<hr/>	<hr/>	<hr/>
7	Staff costs	Consolidated	University	Consolidated	University
		2017	2017	2016	2016
		£000	£000	£000	£000
	By expense type:				
	Salaries	237,526	235,768	218,623	216,919
	Social security costs	23,794	23,428	19,518	19,220
	Movement on USS provision	1,847	1,627	3,991	3,991
	Other pension costs (note 25)	60,293	60,185	52,932	52,932
		323,460	321,008	295,064	293,062
		<hr/>	<hr/>	<hr/>	<hr/>
		Consolidated	University	Consolidated	University
		2017	2017	2016	2016
		£000	£000	£000	£000
	By staff category:				
	Academic departments	157,433	156,417	148,196	147,353
	Academic services	20,136	20,136	16,378	16,378
	Research grants and contracts	89,277	89,277	76,397	76,397
	Residences and hospitality services	3,628	3,628	3,718	3,718
	Premises	15,442	15,442	15,054	15,054
	Administration and other central services	26,884	26,587	26,050	25,067
	Other income generating	10,660	9,521	9,271	9,095
		323,460	321,008	295,064	293,062
		<hr/>	<hr/>	<hr/>	<hr/>
	Remuneration of the Principal:				
	Professor Anton Muscatelli		279		276
	Contribution in respect of pensions:				
	Professor Anton Muscatelli		50		46
	Ratio of remuneration of the Principal to the average salary of a University staff member		6.80:1		7.08:1
			<hr/>		<hr/>

NOTES TO THE FINANCIAL STATEMENTS

Continued

7 Staff costs (continued)	2017 Number	2016 Number
Average full time equivalent staff members by major category		
Academic departments	2,579	2,545
Academic services	417	363
Research grants and contracts	1,386	1,302
Residences and hospitality services	110	113
Premises	500	508
Administration and other central services	537	580
Other income generating	164	176
	5,693	5,587

Key management personnel: Certain senior employees who have authority and responsibility for planning, directing and controlling the activities of the group are considered to be key management personnel. Total remuneration (including pension contributions) in respect of these individuals is £2,447,996 (2016: £2,327,889).

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

	2017			2016		
	Non clinical	Clinical	Key management personnel	Non clinical	Clinical	Key management personnel
£100,001 - £110,000	32	9	-	33	14	-
£110,001 - £120,000	18	6	2	11	6	2
£120,001 - £130,000	10	9	4	8	10	4
£130,001 - £140,000	8	13	2	8	11	-
£140,001 - £150,000	2	10	1	1	7	2
£150,001 - £160,000	1	8	1	2	4	1
£160,001 - £170,000	1	4	-	2	9	1
£170,001 - £180,000	1	7	-	-	5	-
£180,001 - £190,000	2	5	1	1	7	-
£190,001 - £200,000	1	4	-	1	2	-
£200,001 - £210,000	-	2	-	-	3	-
£210,001 - £220,000	-	-	-	-	1	-
£220,001 - £230,000	-	-	-	-	-	-
£230,001 - £240,000	1	-	-	-	-	-
£240,001 - £250,000	-	-	-	-	-	-
£250,001 - £260,000	-	-	-	-	-	1
£260,001 - £270,000	-	-	-	-	-	-
£270,001 - £280,000	-	-	2	-	-	1

8 Interest and other finance costs	Consolidated		University	
	2017 £000	2017 £000	2016 £000	2016 £000
Net charge on pension schemes (note 25)	1,946	1,942	2,963	2,963
Interest on private placement bond	2,231	2,231	64	64
	4,177	4,173	3,027	3,027

NOTES TO THE FINANCIAL STATEMENTS
Continued

9	Other operating expenses	Consolidated	University	Consolidated	University
		2017	2017	2016	2016
		£000	£000	£000	£000
	Academic departments	63,148	63,148	60,491	60,491
	Academic services	11,632	11,632	9,787	9,787
	Research grants and contracts	70,112	70,112	68,670	68,670
	Residences and hospitality services	12,415	12,415	19,368	19,368
	Premises	29,122	29,122	34,041	34,041
	Administration and other central services	13,481	14,876	21,090	21,930
	Agency staff	1,919	1,919	2,081	2,081
	Other income generating	6,663	4,566	4,603	4,878
		<u>208,492</u>	<u>207,790</u>	<u>220,131</u>	<u>221,246</u>
	Contract cancellation expense	-	-	21,903	21,903
		<u>208,492</u>	<u>207,790</u>	<u>242,034</u>	<u>243,149</u>

	Consolidated	Consolidated
	2017	2016
	£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	90	122
External auditors' remuneration in respect of non-audit services	27	26
Internal auditors' remuneration in respect of audit services	247	180
Internal auditors' remuneration in respect of non-audit services	121	116
Operating lease rentals		
Land and buildings	2,414	3,141
10 Exceptional items (Consolidated and University)	2017	2016
	£000	£000
Included within income:		
RDEC tax credits	-	2,618
	<u>-</u>	<u>2,618</u>
Included within expenditure:		
Contract cancellation expense in relation to GSV	-	21,903
	<u>-</u>	<u>21,903</u>

During 2015-16 the University received Research and Development Expenditure Credit grants which covered the period 1 April 2014 to 31 July 2015, the UK corporation tax in 2015-16 was in respect of these tax credits receivable by the University.

During the financial year to 31 July 2002 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 provided that the company would operate and maintain the residences to agreed standards and that the University would continue to market and allocate rooms to students and provide them with pastoral care. The University had a future option to repurchase the properties.

NOTES TO THE FINANCIAL STATEMENTS

Continued

10 Exceptional items (continued)

On 13 July 2016 the University entered into a commercial agreement with Glasgow Student Villages Ltd (GSV) and its parent Sanctuary Housing Association to re-purchase the six student residences using £70m of private placement funding. The main purpose of the deal was to cancel the original contract, refinance the original loan and interest rate swaps taken out by GSV (and ultimately charged to the University over the contract duration), gain title to the assets and free up short term cash. A net payment of £64.2m was made to complete the transaction which resulted in the University recording an increase in fixed assets of £17.1m representing the value of title to the residences, a decrease of £0.9m in prepayments and release of £26.1m of deferred income associated with the original transaction. The overall result of the transaction was to recognise £21.9m of costs written off to the income and expenditure account in the prior year.

11 Taxation	2017 £000	2016 £000
UK Corporation tax	(77)	547
Singapore corporation tax at 17% on the profits of UGlasgow Singapore Pte Ltd (2016: 17%)	42	34
	(35)	581

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.

Reconciliation of current corporation tax charge	2017 £000	2016 £000
Surplus after depreciation of property, plant and equipment at valuation and after exceptional items	56,518	14,114
Surplus on ordinary activities multiplied by the average standard rate of corporation tax in the UK of 19.67% (2016: 20.00%)	11,117	2,823
Surplus falling within charitable exemption	(11,110)	(2,227)
Adjustment in respect of prior year	(10)	23
Effect of tax rates in foreign jurisdiction	(32)	(38)
	(35)	581

NOTES TO THE FINANCIAL STATEMENTS
Continued

12 Property, plant & equipment Consolidated:	Freehold land and buildings £000	Equipment £000	Plant and machinery £000	Assets under construction £000	Total £000
Cost:					
As at 1 August 2016	754,119	112,623	11,495	24,521	902,758
Additions	63	8,196	131	29,603	37,993
Disposals	(3,623)	-	-	-	(3,623)
Transfers	27,138	-	(18)	(27,120)	-
As at 31 July 2017	777,697	120,819	11,608	27,004	937,128
Depreciation:					
As at 1 August 2016	106,637	79,212	125	-	185,974
Charge for the year	22,933	10,077	443	-	33,453
Eliminated on disposal	(3,445)	-	-	-	(3,445)
As at 31 July 2017	126,125	89,289	568	-	215,982
Net Book Value:					
As at 31 July 2017	651,572	31,530	11,040	27,004	721,146
As at 31 July 2016	647,482	33,411	11,370	24,521	716,784
University:	Freehold land and buildings £000	Equipment £000	Plant and machinery £000	Assets under construction £000	Total £000
Cost:					
As at 1 August 2016	748,587	112,623	-	24,521	885,731
Additions	-	8,196	-	29,603	37,799
Disposals	(3,623)	-	-	-	(3,623)
Transfers	27,120	-	-	(27,120)	-
As at 31 July 2017	772,084	120,819	-	27,004	919,907
Depreciation:					
As at 1 August 2016	106,601	79,212	-	-	185,813
Charge for the year	22,809	10,077	-	-	32,886
Eliminated on disposal	(3,445)	-	-	-	(3,445)
As at 31 July 2017	125,965	89,289	-	-	215,254
Net Book Value:					
As at 31 July 2017	646,119	31,530	-	27,004	704,653
As at 31 July 2016	641,986	33,411	-	24,521	699,918

Property owned by the University includes academic buildings, student residences and other associated properties including a conference centre, a sports centre, museum and art gallery, none of which is considered to be inalienable. Freehold land and buildings contains £94.7m of land (2016: £94.9m) which is not depreciated and £27.0m (2016: £24.5m) of assets that are under construction and have not yet received a charge for depreciation.

NOTES TO THE FINANCIAL STATEMENTS

Continued

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

At Kelvin Hall, the University has created The Hunterian Collections Study Centre which offers a state-of-the-art environment for research, teaching and training. These unique facilities allow the University to build on its international reputation for collections and object-based pedagogies, offering much greater access to the collections while forging new academic and educational practice. To date c45% of the collection has been relocated to the new facilities, the remaining collections will move over the course of the next 18 months.

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

Special Collections

The University of Glasgow's Special Collections department is one of the foremost resources in Scotland for academic research and teaching. The collection has been built up over a period of more than 500 years and now contains more than 200,000 manuscript items and approximately 200,000 printed works, including over 1,000 incunabula (books published before 1501). The collection covers a wide range of subjects including humanities, social and economic history and the history of science and medicine. Holdings in areas such as medieval and renaissance manuscripts and emblem literature are of world importance. 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/, and http://www.gla.ac.uk/media/media_514812_en.pdf. There have been no significant acquisitions or disposals during the financial year.

Archive Services

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

NOTES TO THE FINANCIAL STATEMENTS

Continued

13 Heritage assets (continued)

Archive Services (continued)

Reliable information on cost or valuation cannot be obtained for the vast majority of collections held within the Hunterian, Special Collections and Archive Services. This is because of the diverse nature of the assets held, the number of assets held and the lack of comparable market values. The University does not therefore recognise these assets on the balance sheet, other than recent acquisitions which are reported at cost, where the object is purchased, or at the University's best estimate of current value where the object is donated and meets the definition of a heritage asset. Acquisitions in the year to 31 July 2017 do not meet the definition of a heritage asset and therefore are not recognised on the balance sheet.

14 Investments	Consolidated	University	Consolidated	University
	2017	2017	2016	2016
	£000	£000	£000	£000
Treasury stock at market value	2,025	2,025	2,010	2,010
Unlisted investments at cost	1,131	20,634	787	20,234
Listed investments at market value	1,070	-	1,010	-
Endowment assets (note 19)	183,938	183,938	168,972	168,972
Investments in funds	175,445	175,445	-	-
	<u>363,609</u>	<u>382,042</u>	<u>172,779</u>	<u>191,216</u>

The University has a direct interest of 100% in the ordinary share capital of GU Holdings Limited, Kelvin Nanotechnology Limited, UOG Utilities Supply Company Limited and UGlasgow Singapore Pte Ltd, registered in Singapore. GU Holdings Limited owns 100% of the ordinary share capital of GU Heritage Retail Limited. These companies are incorporated in the consolidated financial statements. In addition the University of Glasgow Trust, an independent charity set up to collect donations and disburse them for the benefit of the University generally, is consolidated in these financial statements. During the year, the University increased its capital investment in its unlisted investments, investing £400,000 into GU Holdings Limited. In addition to this, the University invested £175.5m in investment funds to further diversify holdings until required for the campus redevelopment programme.

Endowment assets	Consolidated	University	Consolidated	University
	2017	2017	2016	2016
	£000	£000	£000	£000
Equities	181,688	181,688	162,591	162,591
Cash on deposit held by the investment managers	2,250	2,250	6,381	6,381
	<u>183,938</u>	<u>183,938</u>	<u>168,972</u>	<u>168,972</u>

Investments in funds	Consolidated	University	Consolidated	University
	2017	2017	2016	2016
	£000	£000	£000	£000
At 1 August 2016	-	-	-	-
Additions in the year	175,500	175,500	-	-
Decrease in market value	(55)	(55)	-	-
At 31 July 2017	<u>175,445</u>	<u>175,445</u>	<u>-</u>	<u>-</u>

NOTES TO THE FINANCIAL STATEMENTS
Continued

15	Trade and other receivables	Consolidated	University	Consolidated	University
		2017	2017	2016	2016
		£000	£000	£000	£000
Amounts falling due within one year:					
	Research grants and contracts	55,968	55,968	46,556	46,556
	Prepayments and other sundry debtors	19,889	18,918	26,979	26,129
	Salaries recoverable externally	1,850	1,850	1,808	1,808
	Courses, consultancies and contracts	4,001	4,001	2,998	2,998
	Net RDEC recoverable	-	-	8,654	8,654
	Amounts due from subsidiaries	-	6,993	-	4,468
		81,708	87,730	86,995	90,613
<hr/>					
16	Creditors: amounts falling due within one year	Consolidated	University	Consolidated	University
		2017	2017	2016	2016
		£000	£000	£000	£000
	Research grants and contracts	112,304	112,304	97,832	97,832
	Sundry creditors	23,328	22,997	22,523	22,303
	Accruals and sundry provisions	67,085	66,619	73,904	74,065
	Courses, consultancies and contracts	17,669	17,669	19,439	19,439
	Employment cost liabilities	17,343	17,343	15,800	15,484
	Amounts due to subsidiaries	-	423	-	119
		237,729	237,355	229,498	229,242

Deferred income

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

	Consolidated	University	Consolidated	University
	2017	2017	2016	2016
	£000	£000	£000	£000
Research grants - included within research grants and contracts	94,147	94,147	85,832	85,832
Grant income - included within accruals and sundry provisions	-	-	4,651	4,651
Other income - included within courses, consultancies and contracts	6,601	6,601	8,885	8,885
	100,748	100,748	99,368	99,368

NOTES TO THE FINANCIAL STATEMENTS
Continued

17 Creditors: amounts falling due after more than one year	Consolidated 2017 £000	University 2017 £000	Consolidated 2016 £000	University 2016 £000
Analysis of unsecured private placement bonds*				
Due in five years or more	245,000	245,000	70,000	70,000
	<u>245,000</u>	<u>245,000</u>	<u>70,000</u>	<u>70,000</u>

* In July 2016 unsecured private placement bonds were issued for the sum of £30,000,000 over a 30 year term with a coupon rate of 2.97%. There are no capital payments to be made over the term, with the bonds maturing in 2046. In addition unsecured private placement bonds were issued for the sum of £40,000,000 over a 35 year term with a coupon rate of 3.01%. There are no capital payments to be made over the term, with the bonds maturing in 2051.

* In July 2017 three unsecured private placement bonds were issued, their details are as follows:

- 1 - Unsecured private placement bonds were issued for the sum of £92,000,000 over a 25 year term with a coupon rate of 2.49%. There are no capital payments to be made over the term, with the bonds maturing in 2042.
- 2 - Unsecured private placement bonds were issued for the sum of £40,000,000 over a 30 year term with a coupon rate of 2.55%. There are no capital payments to be made over the term, with the bonds maturing in 2047.
- 3 - Unsecured private placement bonds were issued for the sum of £43,000,000 over a 40 year term with a coupon rate of 2.48%. There are no capital payments to be made over the term, with the bonds maturing in 2057.

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

- (a) The University shall not permit net debt at any time to exceed 50% of consolidated total assets (before any adjustment relating to pensions or other post-employment benefits is made for the purposes of FRS102).
- (b) The University shall not permit the total borrowing costs in relation to any financial year to exceed 7% of the total consolidated income for that financial year.
- (c) The covenants in the agreement shall be tested by reference to the annual financial statements delivered pursuant to the agreement.

18 Provisions for liabilities (Consolidated and University)	Funded pension liability: St Andrew's College £000	Unfunded pension liability: St Andrew's College & LGPS £000	Ex-gratia pension liability £000	Total £000
As at 1 August 2016	2,975	1,506	9	4,490
Income	42	-	-	42
Transfer from Statement of Comprehensive Income and Expenditure	137	344	-	481
Utilised in year	<u>(161)</u>	<u>(161)</u>	<u>(5)</u>	<u>(327)</u>
As at 31 July 2017	<u>2,993</u>	<u>1,689</u>	<u>4</u>	<u>4,686</u>

A valuation of the pension liabilities at 31 July 2017 was carried out by the University's appointed independent actuary, Hymans Robertson.

NOTES TO THE FINANCIAL STATEMENTS
Continued

19 Endowment funds (Consolidated and University)	Unrestricted Permanent £000	Restricted Permanent £000	Total Permanent £000	Restricted Expendable £000	2017 Total £000	2016 Total £000
As at 1 August						
Capital value	1,531	122,302	123,833	23,861	147,694	142,440
Accumulated income	322	19,865	20,187	3,066	23,253	21,876
	<u>1,853</u>	<u>142,167</u>	<u>144,020</u>	<u>26,927</u>	<u>170,947</u>	<u>164,316</u>
Reclassification of categories	-	(224)	(224)	224	-	-
New endowments	-	851	851	314	1,165	1,524
Investment income	95	6,959	7,054	1,300	8,354	6,300
Expenditure	(73)	(3,577)	(3,650)	(1,421)	(5,071)	(5,200)
Increase in market value of investments	141	10,806	10,947	2,044	12,991	4,007
	<u>2,016</u>	<u>156,982</u>	<u>158,998</u>	<u>29,388</u>	<u>188,386</u>	<u>170,947</u>
As at 31 July						
Represented by:						
Capital value	1,664	133,026	134,690	25,929	160,619	147,694
Accumulated income	352	23,956	24,308	3,459	27,767	23,253
	<u>2,016</u>	<u>156,982</u>	<u>158,998</u>	<u>29,388</u>	<u>188,386</u>	<u>170,947</u>
Analysis by type of purpose:						
Lectureships	2,016	66,891	68,907	18,885	87,792	80,610
Scholarships and bursaries	-	78,182	78,182	10,390	88,572	79,347
Prize funds	-	6,646	6,646	113	6,759	6,145
General	-	5,263	5,263	-	5,263	4,845
	<u>2,016</u>	<u>156,982</u>	<u>158,998</u>	<u>29,388</u>	<u>188,386</u>	<u>170,947</u>
Analysis by asset:						
		Consolidated	University	Consolidated	University	
		2017	2017	2016	2016	
		£000	£000	£000	£000	
Current and non-current investments (note 14)		183,938	183,938	168,972	168,972	
Cash and cash equivalents		4,448	4,448	1,975	1,975	
		<u>188,386</u>	<u>188,386</u>	<u>170,947</u>	<u>170,947</u>	

NOTES TO THE FINANCIAL STATEMENTS

Continued

19 Endowment funds (Consolidated and University) (continued)

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 2016	29,271
Investment income	1,430
Expenditure	(116)
Increase in market value of investments	2,224
Balance at 31 July 2017	<u><u>32,809</u></u>

20 Restricted reserves (Consolidated and University)	Capital grants	Donations	Total	Total
	unspent			
	2017	2017	2017	2016
	£000	£000	£000	£000
Income and expenditure reserve				
As at 1 August	2,144	2,934	5,078	4,627
New donations	-	-	-	1,691
Capital grants utilised	(2,144)	-	(2,144)	(1,240)
Expenditure	-	(1,085)	(1,085)	-
As at 31 July	<u>-</u>	<u>1,849</u>	<u>1,849</u>	<u>5,078</u>

21 Commitments and contingencies

Capital commitments	Consolidated	University	Consolidated	University
	2017	2017	2016	2016
	£000	£000	£000	£000
Commitments contracted at 31 July	94,588	94,588	20,894	20,664
Authorised but not contracted at 31 July	<u>108,604</u>	<u>108,604</u>	<u>25,866</u>	<u>25,866</u>
	<u><u>203,192</u></u>	<u><u>203,192</u></u>	<u><u>46,760</u></u>	<u><u>46,530</u></u>

Lease commitments as a lessee

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

	Land and buildings	
	2017	2016
	£000	£000
- Within one year	13,938	15,515
- In two to five years	15,630	28,412
- After more than five years	<u>3,933</u>	<u>1,932</u>
	<u><u>33,501</u></u>	<u><u>45,859</u></u>

NOTES TO THE FINANCIAL STATEMENTS

Continued

21 Commitments and contingencies (continued)

Lease payments receivable as a lessor

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

	Land and buildings	
	2017 £000	2016 £000
- Within one year	7,700	7,700
- In two to five years	7,700	15,400
- After more than five years	-	-
	15,400	23,100

22 Events after the reporting period

Subsequent to the year end the University Court approved a further £116m of capital expenditure for the campus redevelopment programme.

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

23 Amounts disbursed as agent (Consolidated and University)	HE Childcare	HE Discretionary	2017	2016
	Fund £000	Fund £000	Total £000	Total £000
As at 1 August	-	-	-	-
Funds received in year	341	1,159	1,500	1,559
Expenditure	(235)	(1,266)	(1,501)	(1,560)
Virements	(106)	106	-	-
Interest	-	1	1	1
As at 31 July	-	-	-	-

24 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 2013 Scottish Code of Good HE Governance, all members of Court are required to complete a register of interests to record any areas of potential conflict with the interests of the University.

No material transactions have taken place.

NOTES TO THE FINANCIAL STATEMENTS

Continued

25 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' Pension Scheme (STPS);
- e) The National Health Service Pension Scheme (NHSPS);
- f) The Medical Research Council Pension Scheme (MRCPS);
- g) The National Employment Savings Trust (NEST);
 - i) NEST Autoenrol; and
 - ii) NEST Contractual.

	Consolidated	University	Consolidated	University
	2017	2017	2016	2016
	£000	£000	£000	£000
The total pension costs for the University were as follows:				
USS - contributions paid	44,620	44,526	38,515	38,515
UGPS - charge to income statement	13,352	13,352	12,318	12,318
SPF - charge to income statement	146	146	139	139
Other schemes - contributions paid	2,175	2,161	1,960	1,960
	60,293	60,185	52,932	52,932

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

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

	Consolidated	University	Consolidated	University
	2017	2017	2016	2016
	£000	£000	£000	£000
<u>Pension provisions at 31 July</u>				
UGPS net deficit in the scheme	(61,384)	(61,384)	(52,635)	(52,635)
SPF net deficit in the scheme	(763)	(763)	(643)	(643)
	(62,147)	(62,147)	(53,278)	(53,278)
USS deficit reduction plan provision	(54,763)	(54,539)	(51,987)	(51,987)
Total pension provisions at 31 July	(116,910)	(116,686)	(105,265)	(105,265)
	Consolidated	University	Consolidated	University
	2017	2017	2016	2016
	£000	£000	£000	£000
<u>Amount recognised in the Statement of Comprehensive Income and Expenditure</u>				
UGPS	(23,572)	(23,572)	(3,085)	(3,085)
SPF	(306)	(306)	687	687
Total losses for the year	(23,878)	(23,878)	(2,398)	(2,398)

NOTES TO THE FINANCIAL STATEMENTS
Continued
25 Pension schemes (continued)

	Consolidated	University	Consolidated	University
	2017	2017	2016	2016
	£000	£000	£000	£000
<u>Total net finance cost</u>				
UGPS	(1,003)	(1,003)	(1,494)	(1,494)
SPF	(14)	(14)	(49)	(49)
USS	(929)	(925)	(1,420)	(1,420)
Total net finance cost	<u>(1,946)</u>	<u>(1,942)</u>	<u>(2,963)</u>	<u>(2,963)</u>

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

a) UGPS

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

The major assumptions used at 31 July are shown below:

	2017	2016	2015
Discount rate	2.50%	2.50%	3.50%
Retail price inflation	3.40%	2.70%	3.25%
Rate of increase in salaries	3.15%	2.70%	3.25%
Rate of increase to pensions in payment	2.65%	1.80%	2.25%
Consumer price inflation	2.65%	1.70%	2.25%

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

	<u>2017</u>	<u>2017</u>	<u>2016</u>	<u>2016</u>
	Male	Female	Male	Female
Member age 65 (current life expectancy)	22.9	25.7	22.1	23.8
Member age 45 (life expectancy at age 65)	25.0	28.2	24.8	25.5

The assets in the scheme were:

	Value at	Value at	Value at
	31 July 2017	31 July 2016	31 July 2015
	£000	£000	£000
UK equities	28,888	52,774	53,982
Overseas equities	62,014	128,287	103,241
Corporate bonds	95,556	41,884	38,462
Government bonds	70,563	76,877	63,092
Diversified growth fund	134,308	73,412	69,839
Cash	21,375	5,364	8,772
Total	<u>412,704</u>	<u>378,598</u>	<u>337,388</u>

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

The following amounts at 31 July 2017 were measured in accordance with the requirements of FRS 102:	Value at 31 July 2017 £000	Value at 31 July 2016 £000	Value at 31 July 2015 £000
Total market value of assets	412,704	378,598	337,388
Present value of liabilities	<u>(474,088)</u>	<u>(431,233)</u>	<u>(385,697)</u>
Deficit in the scheme	<u>(61,384)</u>	<u>(52,635)</u>	<u>(48,309)</u>

The University has contributed 22.5% of pensionable salaries over the period to 31 July 2017. The University has entered into a recovery plan for the pension scheme from 1 July 2017 to 1 April 2034. This replaces the previous recovery plan from 2014 under which the University made a lump sum deficit reduction contribution of £2.63m in December 2016 (2016: £2.56m). In July 2017 the University made a prepayment of £17m in lieu of future deficit reduction contributions for the years 2018 to 2022. The University expects to make deficit reduction contributions of £3.95m per year increasing by 2.5% per annum from 31 March 2023 to 31 March 2034. The recovery plan will be revisited every three years.

Amount charged to operating surplus:	2017	2016
	£000	£000
Current service cost	(11,802)	(10,974)
Administration costs	<u>(1,550)</u>	<u>(1,344)</u>
Total operating charge	<u>(13,352)</u>	<u>(12,318)</u>
Other finance costs:		
Expected return on scheme assets	9,675	11,805
Interest on scheme liabilities	<u>(10,678)</u>	<u>(13,299)</u>
Total net return	<u>(1,003)</u>	<u>(1,494)</u>
Total UGPS pension cost recognised in the income and expenditure account	<u>(14,355)</u>	<u>(13,812)</u>
Other Comprehensive Income (OCI):	2017	2016
	£000	£000
Actual return on assets excluding amounts included in net interest	7,662	29,613
Actuarial losses on scheme obligations	<u>(31,234)</u>	<u>(32,698)</u>
Actuarial losses recognised in the OCI for UGPS	<u>(23,572)</u>	<u>(3,085)</u>

The cumulative loss recognised in the Other Comprehensive Income to date is £42.5m (2016: £18.9m loss).

Movements in present value of scheme assets during the year:	2017	2016
	£000	£000
Assets at beginning of the year	378,598	337,388
Movement in year:		
Interest income	9,675	11,805
Actual return on assets excluding amounts included in net interest	7,662	29,613
Contributions by the employer	29,178	12,571
Benefits paid	<u>(12,409)</u>	<u>(12,779)</u>
Assets at the end of the year	<u>412,704</u>	<u>378,598</u>

NOTES TO THE FINANCIAL STATEMENTS

Continued

25 Pension schemes (continued)

a) UGPS (continued)

	2017	2016
	£000	£000
Movements in present value of scheme liabilities during the year:		
Liabilities at beginning of the year	431,233	385,697
Movement in year:		
Current service cost	11,802	10,974
Administration costs	1,550	1,344
Interest cost	10,678	13,299
Actuarial losses	31,234	32,698
Benefits paid	(12,409)	(12,779)
Liabilities at the end of the year	474,088	431,233

Details of the experience gains and losses for the years to 31 July:	2017	2016	2015	2014	2013
	£000	£000	£000	£000	£000
Fair value of scheme assets	412,704	378,598	337,388	299,616	260,815
Present value of scheme liabilities	(474,088)	(431,233)	(385,697)	(334,489)	(318,497)
Deficit in the scheme	(61,384)	(52,635)	(48,309)	(34,873)	(57,682)

b) SPF

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

A valuation of the University's benefit obligation in respect of its members has been estimated by a qualified independent actuary based on the 31 March 2014 valuation results, rolled forward onto the FRS 102 assumptions at 31 July 2017.

The major assumptions used at 31 July are shown below:

	2017	2016	2015
Discount rate	2.50%	2.50%	3.50%
Retail price inflation	3.40%	2.70%	3.25%
Rate of increase in salaries	3.15%	2.70%	3.25%
Rate of increase to pensions in payment	2.65%	1.80%	2.25%
Consumer price inflation	2.65%	1.70%	2.25%

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

	<u>2017</u>	<u>2017</u>	<u>2016</u>	<u>2016</u>
	Male	Female	Male	Female
Member age 65 (current life expectancy)	22.9	25.7	22.1	23.8
Member age 45 (life expectancy at age 65)	25.0	28.2	24.8	25.5

NOTES TO THE FINANCIAL STATEMENTS
 Continued

25 Pension schemes (continued)
b) SPF (continued)

The assets in the scheme were:	Value at 31 July 2017 £000	Value at 31 July 2016 £000	Value at 31 July 2015 £000
Equities	11,968	10,890	10,183
Bonds	2,360	2,269	1,629
Property	1,854	1,966	1,629
Cash	674	-	137
Total	16,856	15,125	13,578
	Value at 31 July 2017 £000	Value at 31 July 2016 £000	Value at 31 July 2015 £000
The following amounts at 31 July 2017 were measured in accordance with the requirements of FRS 102:			
Total market value of assets	16,856	15,125	13,578
Present value of liabilities	(17,619)	(15,768)	(15,062)
Deficit in the scheme	(763)	(643)	(1,484)

The University paid contributions to the fund at 24.5% of pensionable salaries over the year to 31 July 2017 and expects to make similar contributions over the next year.

Additionally the University has paid £243k of deficit contributions between 1 August 2016 and 31 July 2017 (2016: £232k).

Amount charged to operating surplus:	2017 £000	2016 £000
Current service cost	(146)	(139)
Total operating charge	(146)	(139)
Other finance costs:		
Expected return on scheme assets	374	468
Interest on scheme liabilities	(388)	(517)
Total net return	(14)	(49)
Total SPF pension cost recognised in the income and expenditure account	(160)	(188)
Other Comprehensive Income (OCI):	2017 £000	2016 £000
Actual return on assets excluding amounts included in net interest	1,657	1,486
Actuarial losses on scheme obligations	(1,963)	(799)
Actuarial (loss)/gain recognised in the OCI for SPF	(306)	687

The cumulative loss recognised in the Other Comprehensive Income to date is £0.8m (2016: £0.5m loss).

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

	2017	2016
	£000	£000
Movements in present value of scheme assets during the year:		
Assets at beginning of the year	15,125	13,578
Movement in year:		
Interest income	374	468
Actual return on assets excluding amounts included in net interest	1,657	1,486
Contributions by the employer	346	342
Contributions by the scheme participants	27	29
Benefits paid	<u>(673)</u>	<u>(778)</u>
Assets at the end of the year	<u>16,856</u>	<u>15,125</u>

	2017	2016
	£000	£000
Movements in present value of scheme liabilities during the year:		
Liabilities at beginning of the year	15,768	15,062
Movement in year:		
Current service cost	146	139
Interest cost	388	517
Actuarial losses on scheme obligations	1,963	799
Contributions by the scheme participants	27	29
Benefits paid	<u>(673)</u>	<u>(778)</u>
Liabilities at the end of the year	<u>17,619</u>	<u>15,768</u>

Details of the experience gains and losses for the years to 31 July:	2017	2016	2015	2014	2013
	£000	£000	£000	£000	£000
Fair value of scheme assets	16,856	15,125	13,578	13,311	12,900
Present value of scheme liabilities	<u>(17,619)</u>	<u>(15,768)</u>	<u>(15,062)</u>	<u>(16,159)</u>	<u>(14,818)</u>
Deficit in the scheme	<u>(763)</u>	<u>(643)</u>	<u>(1,484)</u>	<u>(2,848)</u>	<u>(1,918)</u>

c) USS	Consolidated	University	Consolidated	University
	2017	2017	2016	2016
	£000	£000	£000	£000
USS deficit reduction plan provision				
At beginning of the year	(51,987)	(51,987)	(46,576)	(46,576)
Utilised in the year	3,664	3,652	2,110	2,110
Revaluation/additions in the period	(5,511)	(5,279)	(6,101)	(6,101)
Unwinding of the discount rate	<u>(929)</u>	<u>(925)</u>	<u>(1,420)</u>	<u>(1,420)</u>
USS deficit reduction plan provision at 31 July	<u>(54,763)</u>	<u>(54,539)</u>	<u>(51,987)</u>	<u>(51,987)</u>

The Universities Superannuation Scheme (USS) is a UK-wide scheme which throughout preceding periods was a defined benefit only pension scheme. With effect from 1 October 2016, the scheme changed from defined benefit only to a hybrid pension scheme, providing defined benefits (for all members) as well as defined contribution benefits. The assets of the scheme are held in a separate trustee-administered fund. Because of the mutual nature of the scheme, the schemes' assets are not hypothecated to individual institutions and a scheme-wide contribution rate is set. The institution is therefore exposed to actuarial risks associated with other institutions' employees and is unable to identify its share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis and therefore, as is required by Section 28 of FRS 102 "Employee Benefits", accounts for the scheme as a defined contribution scheme. As a result, the amount charged to the income statement in respect of the above, represents the contributions payable to the scheme in the year.

NOTES TO THE FINANCIAL STATEMENTS

Continued

25 Pension schemes (continued)

c) USS (continued)

On conversion to FRS 102, the University has recognised a provision for the present value of the deficit reduction plan for the USS scheme. The discount rate used by the University to calculate the provision was 1.91% in 2017 (2016: 1.78%). The University is required to contribute a specified percentage of payroll costs to the pension scheme to fund the benefits payable to the University's employees, this percentage is 18% (2016: 16% to 18%). The total USS pension cost for the University was £44.5m (2016: £38.5m). This includes £3.9m (2016: £3.5m) of outstanding contributions at the balance sheet date. The latest available full actuarial valuation of the scheme was at 31st March 2014 ("the valuation date"), which was carried out using the projected unit method. Since the institution cannot identify its share of scheme assets and liabilities, the following disclosures reflect those relevant for the scheme as a whole.

During the year 2016-17 the University's subsidiary Kelvin Nanotechnology Limited transitioned to FRS 102 and recognised its provision for the present value of the deficit reduction plan for the USS scheme.

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

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

	2017	2016
Discount rate	2.57%	3.6%
Pensionable salary growth	n/a	n/a
Price inflation (CPI)	2.41%	2.2%

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	98% of S1NA ["light"] YoB tables – no age rating
Female members' mortality	98% of 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 2014 projections with a 1.5% pa long term rate were also adopted. The current life expectancies on retirement at age 65 are:

	2017	2016
Males currently aged 65 (years)	24.4	24.3
Females currently aged 65 (years)	26.6	26.5
Males currently aged 45 (years)	26.5	26.4
Females currently aged 45 (years)	29.0	28.8

Existing benefits	2017	2016
Scheme assets	£60.0bn	£49.8bn
Total scheme liabilities	£77.5bn	£58.3bn
FRS 102 total scheme deficit	£17.5bn	£8.5bn
FRS 102 total funding level	77%	85%

d) STPS

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

NOTES TO THE FINANCIAL STATEMENTS

Continued

25 Pension schemes (continued)

d) STPS (continued)

The Scheme had total liabilities, for service to the 31 March 2012 of £20.9 billion and notional assets of £19.6 billion giving a notional past service deficit of £1.3 billion. With effect from 1st April 2014 employees' regular contributions moved to a tiered system with a minimum amount of 6.4% of pensionable salary and a maximum amount of 12.4% of pensionable salary. The total pension cost for the institution was £69k (2016: £89k). This includes £6k (2016: £7k) of outstanding contributions at the balance sheet date. Employees' regular contributions were £44k (2016: £59k) and £8k (2016: £7k) in respect of additional voluntary contributions.

e) NHSPS

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

Financial assumptions at 31 March 2012

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

The total pension cost for the University was £690k (2016: £691k). This includes £63k (2016: £56k) of outstanding contributions at the balance sheet date. Employees' regular contributions were £501k (2016: £487k) and £8k (2016: £7k) in respect of additional voluntary contributions.

f) 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 FRS 102, the MRCPS is a multi-employer scheme. The University of Glasgow is unable to identify its share of the underlying assets and liabilities of the scheme. Accordingly, the University has applied the exemption in FRS 102 and has accounted for the scheme as if it were a defined contribution scheme. The following information is available on the scheme:

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

The required MRCPS contribution rate is assessed every three years in accordance with advice of the Government Actuary. The latest actuarial assessment of the MRCPS was at 31 December 2013 at which showed a surplus of £160.1m and the market value of the assets of the MRCPS was £1,054m, an ongoing funding level of 118%. 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 is 14.9%.

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 relevant accounting standards 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).

NOTES TO THE FINANCIAL STATEMENTS

Continued

25 Pension schemes (continued)

f) MRCPS (continued)

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 £376k (2016: £396k). This includes £31k (2016: £31k) of outstanding contributions at the balance sheet date. Employees' regular contributions were £162k (2016: £172k) and £27k (2016: £27k) in respect of additional voluntary contributions.

g) NEST

NEST is a defined contribution scheme that is not-contracted out of the State Second Pension (S2P) and covers qualifying workers under the NEST Autoenrol section of the scheme, and a number of support staff who had previously opted-out of UGPS under the NEST contractual section of the scheme. From 1st April 2014 it covers new members of staff who would previously have been eligible for UGPS. NEST has been set up by the government to assist employers in fulfilling their obligations under the Auto-Enrolment regulations. The University's staging date for Auto-Enrolment was 1st April 2013 and has since 're-staged' at 1 April 2016. The total pension cost for the University was £992k (2016: £725k). This includes £91k (2016: £72k) of outstanding contributions at the balance sheet date. Employees' regular contributions were £408k (2016: £301k).

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