



University
of Glasgow

REPORTS & FINANCIAL STATEMENTS

FOR THE YEAR TO 31 JULY 2019

WORLD
CHANGING
GLASGOW

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Charity number: SC004401

OPERATING AND FINANCIAL REVIEW

This Operating and Financial Review describes the main trends and factors underlying the University of Glasgow's (the University's) performance during the year to 31 July 2019 (2018-19).

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 being the home of inspiring thinkers, from the father of economics Adam Smith, to the eminent scientist Lord Kelvin. In keeping with its historic legacy of changing the world, the University is a founding member of the elite Russell Group of 24 major UK research universities.

Principal operations

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

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

The majority of operations are carried out on the University's main Gilmorehill campus in the West End of Glasgow. Finding community within diversity, the University attracts students and academics from more than 150 countries 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; and from the Higher Education Governance (Scotland) Act 2016. 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 five-year strategy, Inspiring People – Changing the World. The strategy articulates a vision for the University – to be a world-class, world-changing university, complementing the University's mission to bring inspiring people together and create a world class environment for learning and research, empowering staff and students alike to discover and share knowledge that can change the world. The strategy is articulated across three key sections:

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

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

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

Inspiring People identifies 9 primary and 13 secondary key performance indicators (KPIs) to assess the University's progress

and performance over the 2015 – 2020 strategic period. The KPIs encompass research, the student experience, internationalisation, staff satisfaction, financial health and efficiency of the estate. As at 31 July 2019 the University had met 6 of its primary KPIs (international student FTE, PG researcher to academic ratio, research output quality, research impact, research income per academic and cash generation), and was behind on 3 (staff engagement, undergraduate satisfaction and assessment & feedback).

Recruitment

The University fell slightly short on undergraduate International numbers and behind on our Scots/EU and RUK targets. Demographic change continues to reduce the overall population of UK 18 years olds, and the intensifying competition for these students poses challenges for most HEIs across the sector.

However, despite this, the University's reported intake increased by over 5%, driven by higher postgraduate taught numbers coming from the UK, EU and Internationally. We are well placed to continue our performance despite the tougher environment and variable challenges by level and market.

Outcome Agreements

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

The current Outcome Agreement focuses 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 careers.

Teaching

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

The Student Experience

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

The University has a strong record of high achievement in student satisfaction as measured by the National Student Survey

OPERATING AND FINANCIAL REVIEW (continued)

(NSS). However, the University's overall average satisfaction score dipped slightly to 86% in 2018-19. A key area of dissatisfaction highlighted by the survey is the timeliness of assessment and feedback to students; the University is currently working to address this through a strategic project within its World Changing Glasgow Transformation Programme. The University also continues to address the other issues raised by students via the NSS through its 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 remains within the top 100 of Universities worldwide; while we managed to improve our position by two places in the 2019 QS World University Rankings to 67th, we experienced a drop in the THES World University Rankings to 99th. The University also maintained its ranking in the Shanghai Jiao Tong within the 151-200 band. The University's performance in the UK domestic league tables has improved, rising to 16th in the Times/Sunday Times University Guide (2018: 17th), 18th in the Complete University Guide (2018: 24th), and 14th in the Guardian University League Table (2018:24th).

Student Employability

The UK Higher Education sector is currently transitioning to measuring student employability via a new Graduate Outcomes Survey – the first data of which will be published in 2020.

The graduate employment survey used to compile the previous industry standard indicator – the Destination of Leavers of Higher Education Survey – was not undertaken by the sector in 2018-19. At the time of the last survey carried out on the 2016-17 graduating cohort, 95.9% of the University's students who obtained a full-time first-degree undergraduate qualification were in employment or further study in the year after their graduation.

International activity

The University continued to see a steady year-on-year increase in entrants from students outside the EU, with sustained growth for the tenth consecutive year. International student numbers grew by 16% on the previous year and growth was seen at all levels of study. The University's continued success in attracting international students reflects the efforts put into strategic country marketing campaigns and the return on investment from the University's in-country based International Recruitment Officers

The University continues to develop its partnership with Glasgow International College (GIC) to offer academic skills and English language courses preparing

international students for entry to the University's undergraduate and postgraduate programmes. Applications to GIC grew once again in 2018-19, and for the first time in the eleven-year relationship, new entrants to the University from GIC are expected to exceed 900 in session 2019-20.

The University has established Transnational Education (TNE) partnerships with the Singapore Institute of Technology (SIT), University of Electronic 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 2018-19, with 2,593 students: 134 on degrees with Nankai, 1,540 on degrees with UESTC, and 919 with SIT. Further growth is anticipated in 2019-20 as full student cohorts are recruited.

In 2018 the University of Glasgow signed partnership agreements with Leuphana University of Lüneburg (Lower Saxony) and with Radboud University (Netherlands). Developing these strategic partnerships in Europe, as well as others around the world, is a key priority of the University's international activity going in to 2019-2020.

Widening Participation

Widening Participation (WP) remains a prominent and important strategic area for the University. We have made extensive contributions to the Scottish Government's Commission on Widening Access, with much of our work cited as sector-leading best practice. University staff are actively participating in a number of the workstreams and working groups subsequently formed to oversee implementation of the Commission recommendations, such as the use of Access Thresholds in contextualized admissions and guaranteeing offers to those with experience of care or residing in MD20 (most deprived 20%) postcode areas. The University also continues to exceed its MD20 recruitment targets and is laying the groundwork to exceed increased targets in the future.

The University continues to have strong engagement with school pupils. In 2018-19, the University engaged with over 25,000 Primary 5 – Secondary 6 pupils, up from just over 4,000 Secondary 4 – Secondary 6 pupils five years ago. We have stepped up our engagement with FE College partners, enhancing our strong record of recruitment via Access Courses with a new HNC Articulation Programme, forming a new alternative route for talented students to progress to the University of Glasgow.

Research

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

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

Glasgow is in 5th place in the Russell Group for research income per FTE, and the University has had notable successes in attracting multi-million-pound awards of an increasingly collaborative and interdisciplinary nature to tackle worldwide problems. The University has also excelled in attracting competitive funds that reward research talent: for example, Glasgow is now 8th in the Russell Group for its number of European Research Council awards.

Research Excellence Framework

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

OPERATING AND FINANCIAL REVIEW (continued)

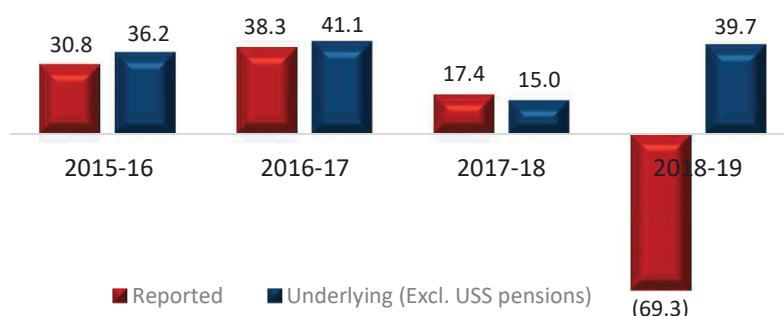
Income and expenditure

The University enjoyed another successful year financially, with an underlying operating surplus of £39.7m in 2018-19.

The graph on the right shows the trend in operating surplus / (deficit) over the last four years, with the underlying position adjusted for the movement in the provision for the Universities Superannuation Scheme (USS) deficit reduction plan. Accounting for this provision can cause significant volatility in the reported surplus / (deficit).

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

£m - Operating Surplus / (Deficit) Before Other Gains (excl. exceptional items) Four Year History



Financial highlights for the year

	2019 £m	2018 £m
Consolidated income	687.9	630.6
Consolidated expenditure	(757.2)	(613.2)
Surplus / (deficit) before other gains	(69.3)	17.4
Decrease / (increase) in USS provision	(109.0)	2.4
Underlying surplus before other gains	39.7	15.0
Income from overseas students	142.0	120.0
Cash and cash equivalents at year end	204.6	207.4
Investment funds	216.5	212.5
Available funds	421.1	419.9
Capital Expenditure	91.2	41.9
Campus Development spend to date	133.9	61.9

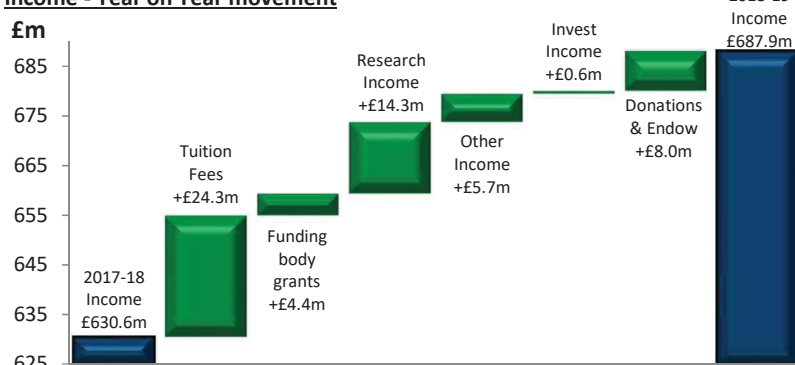
Income

Total income increased by £57.3m or 9.1% from 2017-18 to 2018-19.

The main movements are as follows:

- Income from tuition fees and education contracts grew by £24.3m or 11.9% to £228.2m. The largest movement was in overseas students, with income growing by 18.3% (2017-18: 20.2);
- Income from funding body grants increased by £4.4m or 2.8% in 2018-19. Adjusting for the one-off increases of £1.2m in the Research Excellence Grant and £0.6m in the University Innovation Fund, the underlying increase was £2.6m or 1.6% (2017-18 increase 1.2%);
- Underlying research income (research income excluding movements in capital grants) increased by £10.1m during the year, mainly through Research Council and UK Charity funding. This was augmented by a £4.2m

Income - Year on Year movement



- increase in capital grant income. This resulted in a net increase in income from research grants and contracts before exceptional items of £14.3m or 7.9% in 2018-19 (2017-18 increase £1.3m or 0.7%);
- Other income increased by £5.7m or 7.7% in 2018-19, driven by other services rendered activities (consultancy, Small Animal Hospital), other income including the partnership with GIC Kaplan and increased summer occupancy within residences;
- Investment income increased by £0.6m; and
- Income from donations and endowments increased by £8.0m in 2018-19, in support of the campus development programme.

OPERATING AND FINANCIAL REVIEW (continued)

Expenditure

Total expenditure increased by £144.0m or 23.5% in 2018-19. Of this £111.4m (or 18.2%) was due to the movements in charges for the USS deficit reduction plan. Expenditure, excluding this USS movement, increased by £32.6m (or 5.3%).

The make-up of the £32.6m increase in expenditure is as follows:

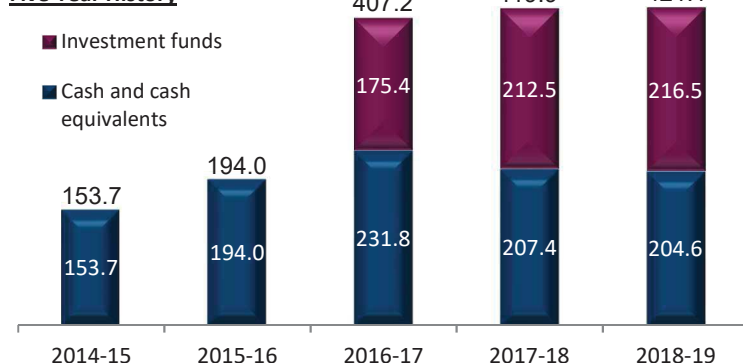
- Staff costs increased by £19.9m or 5.9% in 2018-19 (2017-18 increase of £14.8m or 4.6%). Adjusting for the year on year movement in FRS102 adjustment for unpaid holiday pay (a decrease in expenditure of £1.4m), staff costs increased by £21.3m or 6.3%, due to increased staff numbers of 3.3% (mainly within academic departments and research grants and contracts), annual salary increases, associated social security costs and an increase in the USS employer contribution rate from 18% to 19.5% from April 2019 (£1m);
- Other operating expenses increased by £14.9m or 6.3% (2017-18 increase £27.8m or 13.3%). A reduction in demolition costs / write-offs of £6.2m was offset by increases in academic departments, mainly driven by increased student numbers, increased expenditure on research activity and movements in provisions;
- The depreciation charge decreased by £1.6m, due to equipment coming to the end of its useful economic life.
- Interest and other finance costs decreased by £0.6m, due to a lower interest charge associated with the University of Glasgow Pension Scheme (UGPS).

Available funds and cash flow

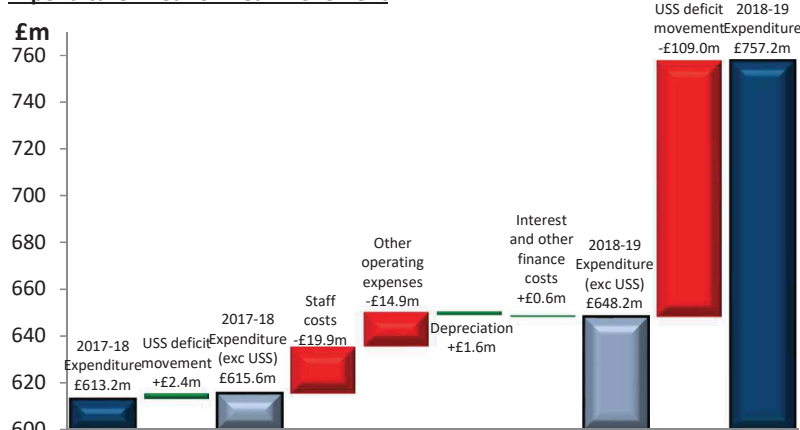
Available funds increased by £1.2m or 0.3% from 31 July 2018. This was due to a positive return of £4.0m on the

£m - Available Funds

Five Year History



Expenditure - Year on Year movement



investment funds, offset by £2.8m reduction in cash and cash equivalents, as a result of strong underlying cash generation offset by increased capital spend on the campus redevelopment programme.

The five-year funds history is shown below, with the 2016-17 balance increasing as a result of borrowing £175m for the campus development programme.

The main cash inflow shown in the cash flow statement in 2018-19 was from operating activities (+£70.3m), offset by investing activities (-£64.0m), mainly capital spend, and financing activities (-£9.3m).

The net inflow from operating activities represents the underlying operating surplus of £40.8m, adjusted for non-cash items, primarily depreciation and an increase in creditors.

The main cash outflows were capital expenditure of £91.2m, partly offset by capital grant receipts of £19.7m.

Financing activities of £9.3m include the interest paid on the private placement funding.

Capital commitments increased by £5.2m in the year, to £283.7m at the balance sheet date, mainly relating to commitments from the campus development programme.

Investment performance

The value of endowment asset investments increased by £1.3m, from £200.6m to £201.9m, with new endowments bequests of £2.8m (2017-18: £1.4m) and investment income of £5.8m being offset by expenditure of £6.2m and a reduction in market value of £1.1m.

The decrease of £1.1m in the market value of funds held is a significant change from the increase of £10.9m in 2017-18, but the performance reflects the tough market conditions throughout 2018-19. Despite these conditions, the endowment funds out-performed the FTSE 100 over the year.

The performance of the fund managers continues to be monitored by the Investment Advisory Committee against targets set by the committee. These targets are reviewed regularly.

The value of the University's holdings in investment funds increased in 2018-19, with a return of £4.0m resulting in a final position of £216.5m at year end (2017-18: £212.5m). These funds will be drawn down when required for the campus development programme.

The performance of these funds and amounts invested are monitored by a separate Investment Committee, with regular reporting to Finance Committee.

Pension liability

The FRS102 pension liability for the University of Glasgow Pension Scheme (UGPS) and the Strathclyde Pension Fund (SPF) decreased in the year from £34.2m to £7m. The liability decreased primarily due to the actual return on assets, which forms part of the actuarial gain of £32.7m recorded in other comprehensive income.

OPERATING AND FINANCIAL REVIEW (continued)

The court rulings in relation to the equalization of Guaranteed Minimum Pension (GMP) and the McCloud judgement were taken into consideration, where appropriate, when calculating the liabilities of the pension schemes.

Under FRS102, the University records the present value of its deficit recovery commitments for the Universities Superannuation Scheme (USS). During the year, a new deficit recovery plan was put in place as part of the 2017 valuation. This requires payment of 5% of salaries (previously 2.1%) over the period 1 April 2020 to 30 June 2034. This significant increase in deficit contributions has given rise to a substantial increase in the deficit provision which has increased by £109m to £161.3m.

The movement in the USS provision has caused large variances in the financial statements over time and is likely to do so in the future.

Since the year-end 31 July 2019, following the completion of the 2018 actuarial valuation, a new deficit recovery plan has been agreed. This amends the existing deficit recovery plan as set out in the 2017 valuation Schedule of Contributions. This new plan requires deficit payments of 2% of salaries from 1 October 2019 to 30 September 2021 and then payments of 6% of salaries from 1 October 2021 to 31 March 2028.

As at 31 July 2019 and assuming all other assumptions used to calculate the provision remain unchanged, this would have resulted in a revised provision of £92.4m, a decrease of £68.9m from the current year end provision and a reduced charge to the Statement of Comprehensive Income of £40m.

The shorter recovery period assumed in this schedule will result in a decrease in the provision for the obligation to fund the deficit in the USS pension scheme and this adjustment will be reflected in the financial statements for the year ending 31 July 2020.

Summary

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

The University saw positive movements on all areas of income generation in the year, in particular, a further significant increase in overseas student income which led to another year of strong underlying operating performance. There was a significant increase in the USS pension deficit reduction plan provision,

which significantly decreased total comprehensive income for the year.

The external environment, the uncertainties surrounding the Universities Superannuation Scheme and the uncertainties surrounding the post-Brexit settlement continue to pose significant challenges.

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

Court continues to emphasise that strong financial management is essential and that this should be achieved, whilst ensuring that progress is made towards the aspirations set out in the University's 2015 – 2020 Strategy, Inspiring People – Changing the World.

CAMPUS DEVELOPMENT

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

Overview

The Western Site is the focus of a significant building programme. The University has commenced an ambitious but achievable programme of capital development that is focused on supporting the University's strategic ambition. The development will be managed through a carefully balanced spending profile comprising future cash generation, disposals, existing reserves, and a major donor fundraising campaign that is yet to launch. The University has borrowed funds at low interest rates in order to have funds available to meet the needs of the campus development.

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

Since December 2016, Court has approved in excess of £350m of business cases and projects in respect of the delivery of the major campus development.

The Research Hub



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

James McCune Smith Hub



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

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

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

Multiplex, the main contractor for the site, were appointed in 2016-17. Much of the demolition of the Western site is completed and the construction of the Research Hub is progressing. The first of the new buildings, the £95m Learning and Teaching Hub, called the James McCune Smith Hub has been "topped out" and is scheduled for completion during the course of the next academic year. The building is expected to be open at the start of the academic year 2020-2021. The University is seizing the opportunity to not only build new facilities but also develop a new service model for student and facilities services.

The University Court approved the construction of the £50m Clarice Pears Building. This will provide accommodation for the Research Institute for Health and Wellbeing, a research institute focused on preventing major health issues facing our communities. The building will bring

together staff who are currently located across 15 different locations.

The University also has campus space at Garscube, in the north of Glasgow, and Dumfries, and facilities at the Queen Elizabeth Hospital.

Plans for 2019-20

Looking forward to 2019-20 the focus will be on the completion of the James McCune Smith Hub, the conclusion of enabling works on the Western Infirmary site, progress on the Research Hub and the commencement of construction of the Clarice Pears Building.

Innovation District

The investment the University is making into the west end of Glasgow has been recognised as delivering more than just new buildings. The University continues to work with the City Council and Scottish Enterprise to develop proposals for the Innovation District building on the Memorandum of Understanding signed between the three parties. The University has secured seed funding from Strength in Places to develop proposals for a campus close to the Queen Elizabeth University Hospital. This will enable the University to develop a thriving ecosystem supporting innovation, enterprise and economic growth.

Projects to date

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

Projects in the future

- Engineering Teaching and Research
- Adam Smith Business School and new investment in PGT space
- Innovation Zone on Church Street
- Quantic and James Watt Nano fabrication
- Ongoing investment in the existing estate for teaching, research and innovation
- Support student scholarships

FUTURE DEVELOPMENTS AND PRINCIPAL RISKS AND UNCERTAINTIES

International student growth

The University continues to grow its student numbers in a controlled and sustainable manner, carefully balancing income generation targets against estate capacity and the need to protect the quality of the student experience. The University's international student population grew by 16.8% in 2018-19, a significant rise that meant the University met its 2020 KPI target earlier than anticipated.

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

Brexit

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

Research risks

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

Pay and pensions

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

On 26 October 2018, the High Court released its judgement in relation to a case concerning the equalisation of Guaranteed Minimum Pension (GMP). This judgement means that pension schemes are required to equalize GMP benefits for the period from 17 May 1990 to 6 April 1997 between males and females. The Scheme Actuary has included the impact of this assessment in the valuation at 31 July 2019 for UGPS and SPF.

In accordance with the requirements of the SORP, the University currently recognises a provision for its obligation to fund past deficits arising within the Universities Superannuation Scheme (USS).

A new deficit recovery plan was put in place as part of the 2017 valuation and is set out in the new Schedule of Contributions dated 28 January 2019. This requires payment of 5% of salaries over the period 1 April 2020 to 30 June 2034. In accordance with the requirements of FRS 102 and the SORP, the University has made a provision for this contractual commitment to fund the past deficit. In the prior year, the deficit payments were 2.1% of salaries up to March 2031.

This significant increase in deficit contributions has given rise to a substantial increase in the deficit provision which has increased by £109m from £52.3m to £161.3m.

The 2018 actuarial valuation was finalised after the year end which indicated a shortfall of £3.6 billion and a funding ratio of 95%.

Since the year end, following the completion of the 2018 actuarial valuation, a new deficit recovery plan has been agreed. This amends the existing deficit recovery plan as set out in the 2017 valuation Schedule of Contributions. This new plan requires deficit payments of 2% of salaries from 1 October 2019 to 30 September 2021 and then payments of 6% of salaries from 1 October 2021 to 31 March 2028. As at 31 July 2019 and assuming all other assumptions used to calculate the provision remain unchanged, this would have resulted in a revised provision of £92.4m, a decrease of £68.9m from the current year end provision and a reduced charge to the Statement of Comprehensive Income of £40m.

Based on the inputs to the model used to calculate the USS provision, the following sensitivity analysis outlines the potential impact on the existing University liability of £160.7m (assuming the same discount rate of 1.62%):

- The impact of a 0.5% reduction in the discount rate to 1.12% would

increase the University's USS liability to £168m, this assumes a duration of 15 years;

- The impact of an increase of 0.5% in salary inflation would increase the University's USS liability to £167.5m, this assumes a duration of 15 years;
- The impact of an increase of 0.5% in salary inflation for the first year would increase the University's USS liability to £161.5m, this assumes a duration of 15 years;
- The impact of an increase of 0.5% to staff changes over the duration of 15 years would increase the University's USS liability to £167.7m, this assumes a duration of 15 years;
- The impact of an increase of 0.5% to staff changes in the first year would increase the University's USS liability to £160.7m, this assumes a duration of 15 years;
- The impact of an increase of 1% in deficit contributions from April 2020 would increase the University's USS liability to £192.2m, this assumes a duration of 15 years; and
- The impact of an increase in duration of 1 year to 16 years for the deficit repayment would increase the University's USS liability to £174.7m.

Campus development

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

UNIVERSITY POLICIES

Creditor policy

The University aims to pay all of its suppliers promptly. The terms of payment of the University are 30 days from the date of invoice but specific terms and conditions can be agreed for certain suppliers if required. As at 31 July 2019 the University's outstanding payments represented approximately 9 days' purchases. This is an increase from 8 days in 2018. The University has no matters to disclose under the Late Payment of Commercial Debts (Interest) Act 1998.

Treasury management

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

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

In accordance with University policy the non-endowment cash balances of the University can be invested in temporary cash deposits with the major clearing banks, building societies and money market funds up to a maximum of thirty-five million pounds with any one institution, or higher with specific approval from Finance Committee. The institution must be rated at a minimum of BBB+ (as per Standard and Poor's long-term rate) with money market funds at a minimum of A+ rated. The length of deposit is a maximum of ninety-five days. The University is exposed to changing interest rates, although the exposure is viewed as low given that interest income accounts for less than 0.1% of the total income of the University in 2018-19.

Accounting policies

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

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

instructions. Where a prior year restatement is required, this is disclosed within the Statement of Principal Accounting Policies.

Disability policy

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

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

Equality and diversity policy

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

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

Ethical investment policy

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

In addition, it prohibits direct investment in the tobacco industry, as such investment would run counter to the University's direct interest in research. Court has committed to a phased reduction in the University's direct investment in the fossil fuel extraction industry. The first phase of that disinvestment strategy was implemented which means that, by July

2019, the value of the investments held in fossil fuel extraction will be no more than 6.4% of the University's total endowment investment. At the close of phase 1 the percentage holding in fossil fuel extraction was 5.15%.

Tax strategy

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

Professor Anton Muscatelli
Principal

Graeme Bissett
Convener of Finance Committee

Robert Fraser
Director of Finance

CORPORATE GOVERNANCE STATEMENT

The University Court of the University of Glasgow (Court) follows 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 (as applicable) guidance on internal control as amended by the British Universities Finance Directors Group in its 2006 guidance, of the 2017 Scottish Code of Good HE Governance, 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 Governing Body, the University complied with all the principles and provisions of the 2017 Scottish Code of Good Higher Education Governance with the exception of:

- The Institution is expected to publish rules and procedures for the election of Senior Lay members on its website, along with the membership of the committee managing this process.

Action is being taken to address this and Court expects to be compliant by 2023.

- The membership of the Nominations Committee should have a lay member majority.

The Court considers the current arrangements to be appropriate and will not be revising the committee's membership.

University governance

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

Court

The University's governing body is Court. Its powers have been defined over a number of years, commencing in 1858, when Court was first established, and are set out in a series of Acts of Parliament, the Universities (Scotland) Acts 1858-1966. These Acts are supplemented by sections of other Acts and certain Ordinances, promulgated by the University and approved by the Monarch in Council. Ordinances have been

enacted to extend the powers available to Court, or to clarify the powers which are not explicit in the Acts.

Court has ultimate responsibility for the deployment of resources in the University, and for the strategic plans of the institution. It does not normally generate proposals but receives them from other bodies within the University - most notably the Senate and the Senior Management Group. It also has a monitoring role in relation to the overall performance of the University, and it holds the Principal to account for the effective and efficient management of the University. Working with the Senate, Court is responsible for the well-being of students and for the reputation of the University. It is also responsible for the well-being of staff. The Court Statement of Primary Responsibilities is published at https://www.gla.ac.uk/media/media_5722_63_en.pdf.

Court has 25 members and, in the financial year 2018-19, 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 2018-19 the Convener of Court was Elizabeth Passey, who was appointed for four years from 2016, following public advertisement and was reappointed for 4 years from 2020 during the 2018-19 year. During 2017-18, Court made a decision to remunerate the role of Convener of Court, as permitted by the Higher Education (Scotland) Governance Act of 2016. All members of Court are entitled to claim expenses incurred in the course of their duties.

The current size of Court and its composition, as described in the Membership of Court, maintains a coherent and effectively functioning governing body, including an appropriate range of skills and experience. With regard to statutory requirements relating to membership, the Court amended its membership by Ordinance effective 1 August 2019 to align with the requirements of The Higher Education Governance (Scotland) Act 2016 this was within the timeframes required in the Act.

Court conducts much of its business through eight committees, each having formally constituted terms of reference. Committees report to Court through their Chair, who - with one exception (the Health, Safety & Wellbeing Committee) - is an independent member of Court. The Committees have each been required by

Court to appoint a Vice-Chair, and Court itself has also appointed a Vice-Convener, who is an independent member of Court (Graeme Bissett). Court meets five times per year.

The **Finance Committee** monitors the financial performance of the University and its associated legal entities. It considers financial policies and issues and makes recommendations to Court on these matters and with regard to the importance of financial sustainability. It also considers the reports and financial statements and revenue/capital budgets of the University and its associated legal entities and makes recommendations to Court thereon. During the year to 31 July 2019, the Committee was chaired by Graeme Bissett, an independent member of Court. The Vice-Chair was Elspeth Orcharton, an independent member of Court. The Committee normally meets five times a year.

The **Audit & Risk Committee** oversees the arrangements for external and internal audit of the University's financial and management systems and of activities and processes related to these systems. The Committee normally meets four times a year, with the University's external and internal auditors in attendance. Heather Cousins, an independent member of Court, chaired the Committee in the year to 31 July 2019. The Vice-Chair was Simon Bishop, an external independent member who is not a member of Court.

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

The Committee was chaired by Elizabeth Passey, the Convener of Court, and the Vice-Chair was Lesley Sutherland, a General Council Assessor on Court. The committee normally meets once a year.

The **Remuneration Committee** makes recommendations to Court on the process of determining salary awards for senior staff and determines the Principal's remuneration in the absence of the Principal, who is not a member of the Committee but attends for items relating to senior management remuneration other than his own. The Committee's remit also covers the remuneration of the Convener of Court. The Convener of Court is also a member of the Remuneration Committee and also leaves the meeting while Convener remuneration is discussed. Details of the remuneration

CORPORATE GOVERNANCE STATEMENT

(continued)

of senior post-holders for the year ended 31 July 2019 are set out in note 7 to the financial statements. During the year to 31 July 2019, the Committee was chaired by June Milligan, an independent member of Court. Ronnie Mercer, the Chancellor's Assessor, is the Vice-Chair. The Committee meets at least once a year. As the University's Chief Executive Officer, the Principal has formal and wide-ranging responsibilities for the strategic leadership and direction of the University. The Principal is a member of Court and Convener of Senate. The Principal leads the Senior Management Group, which also includes the Senior Vice Principal & Deputy Vice Chancellor, Vice-Principals (9 in total), Chief Operating Officer & University Secretary, the Director of Finance and the Director of HR.

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

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

- the annual P&DR discussion conducted by the Convener of Court, reflecting feedback from staff, students, members of Court and the senior executive and informed by a 360° appraisal process;
- individual and collective SMG performance in advancing the University's strategic objectives; and
- the need to provide tangible reward for excellent performance and a competitive remuneration package that is consistent with robust benchmark data and reflective of equivalent positions within comparable Russell Group/major UK universities.

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

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

There is also an annual evaluation process of the performance of the

Convener of Court. This is led by the Chancellor's Assessor.

The **Human Resources Committee** reviews the University's HR Strategy and, through agreed performance indicators, monitors its relevance, implementation and effectiveness; ensures that the strategy is consistent with and supports the University's mission, vision and values; monitors compliance with the legal and regulatory framework for HR and ensures the adoption of best practice; acts as a sounding board for the University's executive officers and HR function, providing advice, from a breadth of perspectives, on human resource management issues; and ensures that the University's senior management demonstrate the importance of HR to the institution by providing support and leadership to all staff. During the period of the financial statements 2018-19, the Committee was chaired by an independent member of Court, June Milligan. The Vice-Chair was Rob Goward, an external independent member who is not a member of Court. The Committee normally meets four times a year.

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

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

The **Student Experience Committee** is a joint committee of Court and Senate. It was co-chaired by the Chief Operating Officer and University Secretary, and the President of the SRC. Its remit includes: agreeing and overseeing implementation of a common strategy, plans and policies for non-academic aspects of student life; ensuring that every student has the opportunity to enjoy and derive value from their university experience; ensuring that the

University's provision for the student experience reflects the diversity of needs within the student population; and reviewing and monitoring the effectiveness of services and determining their priorities. The Committee meets at least five times a year.

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

The Senate

The Senate is the senior academic body of the University and subject to the powers of the Court, is responsible for the academic activity of the University and the maintenance of academic standards. During the 2018-19 year, Senate had over 500 members drawn principally from the University's academic staff. Senate 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. From 1 August 2019 the composition of Senate has been amended via Ordinance to align with the requirements of the Higher Education Governance (Scotland) Act 2016; the number on Senate from 1 August is c130 and the Council of Senate no longer exists.

The General Council

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

Statement of internal control

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

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

CORPORATE GOVERNANCE STATEMENT (continued)

discuss the key strategic issues within each College. These meetings are also attended by the Senior Vice-Principal and senior staff from the Finance Office.

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

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

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

Court is of a view that there is an ongoing process for identifying, evaluating and managing the University's significant risks, and that it has been in place throughout the year ended 31 July 2019 and up to the date of approval of the annual reports and financial statements.

General data protection regulation

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

Modern Slavery Act statement

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

Going concern

The University's principal operations, together with the factors likely to affect its future development and its financial position are noted in the Operating and Financial Review, Campus Development, Future Developments and Principal Risks and Uncertainties and University Policies sections. The University has considerable

financial resources and access to funding. As a consequence, Court believes that the University is well placed to manage its business risks successfully despite the current uncertain economic outlook. After making enquiries, Court has a reasonable expectation that the University and the group have adequate resources to continue in operational existence for a period of at least 12 months from the approval of these financial statements. Accordingly, they continue to adopt the going concern basis in preparing the annual report and accounts.

Elizabeth Passey
Convener of Court
Date: 11 December 2019

STATEMENT OF RESPONSIBILITIES OF COURT

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

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

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

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

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

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

The Audit & Risk Committee, on behalf of Court, has reviewed the effectiveness of the system of internal control. Such a system is designed to manage rather than eliminate the risk of failure to achieve business objectives and can only provide reasonable and not absolute assurance against material misstatement or loss. Court is satisfied that there is an ongoing process for identifying, evaluating and managing the University's significant risks that has been in place for the year ended 31 July 2019 and for the period to the date of the approval of the reports and financial statements. This process accords with the internal control guidance as applicable to the higher education sector.

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

David Duncan
Chief Operating Officer and
University Secretary

On behalf of Court
Date: 11 December 2019

MEMBERSHIP OF COURT

Members of Court who served during the year to 31 July 2019 are detailed below, as are members who served up to the date of approval of the reports and financial statements. Also shown is an indication of the Committees on which the members served, the expiry date of their current term of office and whether they are independent members of Court.

	Expiry date	Committee membership	Independent member	Attendance at court meetings during the financial year
The Rector				
Mr Aamer Anwar	Mar 2020			1/5
The Principal and Vice-Chancellor				
Professor Sir Anton Muscatelli	Sep 2024	(FC) (HRC) (EC) (NC)		5/5
The Chancellor's Assessor				
Mr Ronnie Mercer	Oct 2023	(EC) (RC) (NC)		5/5
Assessor of City of Glasgow Council				
Councillor Susan Aitken	May 2020		*	3/5
General Council Assessors				
Dr Morag Macdonald Simpson	Jul 2022	(HRC) (SEC)	*	5/5
Ms Lesley Sutherland	Jul 2022	(ARC) (NC)	*	5/5
Senate Assessors [Elected Academic Staff]				
Professor Lindsay Farmer	Jul 2019	(EC) (ARC) (SEC)		5/5
Professor Carl Goodyear	Jul 2022	(HRC) (NC)		5/5
Professor Nick Hill	Jul 2023	(FC)		4/5
Dr Simon Kennedy	Jul 2021	(FC) (ARC from Aug-19)		4/5
Professor Kirsteen McCue	Jul 2021	(HRC) (EC from Aug-19)		3/5
Dr Bethan Wood	Jul 2021	(EC) (SEC from Aug-19)		4/5
Elected Professional Services (Support) Staff				
Mr Christopher Kennedy (from August 2019)	Jul 2023			0/0
Employee Representatives				
Mr David Anderson	Jul 2019	(RC)		5/5
Ms Margaret Anne McParland	Jul 2019	(HRC) (NC)		4/5
Trade Union Nominees				
Dr Craig Daly (from August 2019)	Jul 2023	(RC)		0/0
Ms Margaret Anne McParland (from August 2019)	Jul 2020	(HRC) (NC)		0/0
Co-opted Members of Court				
Mr Graeme Bissett	Dec 2021	(FC)	*	4/5
Ms Heather Cousins	Mar 2022	(ARC) (NC)	*	5/5
Mr David Finlayson	Oct 2021	(SEC)	*	5/5
Dr June Milligan	Oct 2023	(HRC) (RC)	*	5/5
Mr David Milloy	Dec 2021	(EC)	*	3/5
Ms Elspeth Orcharton	Oct 2020	(FC)	*	4/5
Ms Elizabeth Passey**	Jul 2024**	(FC) (RC) (NC)	*	5/5
Mr Gavin Stewart	Mar 2021	(FC)	*	5/5
Dr Ken Sutherland	Dec 2021		*	3/5

MEMBERSHIP OF COURT (continued)

	Expiry date	Committee membership	Independent member	Attendance at court meetings during the financial year
President of the Students' Representative Council				
Ms Lauren McDougall	Jun 2019	(FC) (EC) (NC) (SEC)		5/5
Mr Scott Kirby (from Jul 2019)	Jun 2020	(FC) (EC) (NC) (SEC)		0/0
Assessor of the Students' Representative Council				
Mr Elliot Napier	Oct 2019			5/5
Ms Teresa Baños (nominated October 2019)	Oct 2020			0/0
University Secretary				
Dr David Duncan***		(EC) (HRC) (NC) (HSWC) (SEC)		5/5

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

**Ms Elizabeth Passey is also Convener of Court, an appointment that will run until July 2024.

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

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

Opinion

We have audited the financial statements of The University of Glasgow ('the parent institution') and its subsidiaries (the 'group') for the year ended 31 July 2019 which comprise Statement of Principal Accounting Policies, Consolidated and University Statement of Comprehensive Income and Expenditure, Consolidated and University Statement of Changes in Reserve, Consolidated and University Balance Sheets, the Consolidated Cash Flow Statement and the related notes 1 to 29, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the group's and of the parent institution's state of affairs as at 31 July 2019 and of the group and parent institution's income and expenditure, recognised gains and losses, and statement of cash flow for the year for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice;
- have been properly prepared in accordance with the Statement of Recommended Practice: Accounting for Further and Higher Education, and relevant legislation; and
- have been prepared in accordance with the requirements of the Charities and Trustee Investment (Scotland) Act 2005 and regulation 14 of the Charities Accounts (Scotland) Regulations 2006.

Basis for opinion

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

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

Conclusions relating to going concern

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

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

Other information

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

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

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

We have nothing to report in this regard.

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

In our opinion, in all material respects:

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

Matters on which we are required to report by exception

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

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

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

Responsibilities of the University Court

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

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

Use of our report

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

Ernst & Young LLP
Statutory auditor
Glasgow

Date: 12 December 2019

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

The maintenance and integrity of the University of Glasgow's web site 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 web site. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

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 2019.

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 2019. 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 Statement of Comprehensive Income 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 Statement of Comprehensive Income 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 Statement of Comprehensive Income 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 Statement of Comprehensive Income 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 Statement of Comprehensive Income in line with such conditions being met.

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

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

Property, plant & equipment

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

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

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

Buildings:	
Structural	50+ years
Roofing	20-25 years
Electrical & mechanical	15-20 years
Fit out	5-10 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 Statement of Comprehensive Income. Assets are considered to be impaired if their recoverable value is less than book value. The recoverable amount of a PPE asset is the higher of its fair value less costs to sell and its value in use.

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

Repairs and maintenance

Maintenance expenditure is recognised in the Statement of Comprehensive Income in the year it is incurred as it does not add value to the University estate and therefore is not appropriate to be capitalised. 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 is included in the Statement of Comprehensive Income 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 Statement of Comprehensive Income 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

STATEMENT OF PRINCIPAL ACCOUNTING POLICIES (continued)

policy in respect of heritage assets is summarised in note 12.

Stocks

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

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 Statement of Comprehensive Income as they accrue.

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

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

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 Statement of Comprehensive Income of the institution. The balances and movement on these funds are disclosed in note 27 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 University 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 University 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 20 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 Statement of Comprehensive Income. The results of overseas operations are translated at the average rates of exchange during the period and their balance sheets at the rates prevailing at the balance sheet date. Exchange differences arising from this translation of foreign operations are reported as an item of Other Comprehensive Income.

Interest-bearing loans and borrowings

All interest-bearing loans and borrowings which are basic financial instruments are

initially recognised at the present value of cash payable to the bank (including interest). After initial recognition they are measured at amortised cost using the effective interest rate method, less impairment. The effective interest rate amortisation is included in finance cost in the Statement of Comprehensive Income.

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 Statement of Comprehensive Income.

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 Statement of Comprehensive Income on a systematic basis over the period that relevant employees provide services to the University. Under FRS 102 past service costs are recognised immediately. Pension scheme assets are measured using market value. Pension scheme liabilities are measured using the projected unit method and discounted at the current rate of return on a high-quality corporate bond of equivalent terms and currency to the liability.

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

STATEMENT OF PRINCIPAL ACCOUNTING POLICIES (continued)

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 Statement of Comprehensive Income 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 Statement of Comprehensive Income.

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 Statement of Comprehensive Income 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 Statement of Comprehensive Income 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, income and expenses. 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.

The University considers the areas set out below to be those where critical accounting judgements have been applied and the resulting estimates and assumptions may lead to adjustments to the future carrying amounts of assets and liabilities:

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.

Tangible fixed assets

Property, plant and equipment represent a significant proportion of the University's total assets. Therefore, the estimated useful lives can have a significant impact on the depreciation charged and the University's reported performance. Useful lives are determined at the time the asset is acquired and reviewed regularly for appropriateness. The lives are based on historical experience

with similar assets as well as anticipation of future events.

Retirement benefit obligations

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

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

For the University of Glasgow Pension Scheme, the mortality rate is based on scheme-specific mortality tables constructed using analysis of the membership. Future salary increases and pension increases are based on expected future inflation rates for the respective country. Further details are given in note 29.

CONSOLIDATED AND UNIVERSITY STATEMENTS OF COMPREHENSIVE INCOME AND EXPENDITURE

for the year ended 31 July 2019

	Notes	Consolidated		University	
		2019 £000	2018 £000	2019 £000	2018 £000
Income					
Tuition fees and education contracts	1	228,234	203,956	223,611	199,690
Funding body grants	2	162,824	158,427	162,824	158,427
Research grants and contracts	3	195,064	180,818	195,064	180,818
Other income	4	80,236	74,518	80,614	74,652
Investment income	5	7,195	6,571	7,187	6,539
Donations and endowments	6	14,343	6,348	14,341	6,344
Total income		687,896	630,638	683,641	626,470
Expenditure					
Staff costs	7	356,252	336,417	353,301	333,942
Movement on USS provision	29	108,976	(2,462)	108,602	(2,449)
Other operating expenses	9	251,211	236,309	251,175	236,200
Depreciation	11	33,464	35,084	32,914	34,534
Interest and other finance costs	8	7,304	7,891	7,304	7,891
Total expenditure		757,207	613,239	753,296	610,118
(Deficit)/surplus before other gains		(69,311)	17,399	(69,655)	16,352
(Loss)/gain on disposal of tangible assets		(1,457)	1,054	(1,940)	119
Gain on investments	13	2,752	13,468	2,999	12,906
(Deficit)/surplus before tax		(68,016)	31,921	(68,596)	29,377
Taxation	10	(140)	(152)	-	(40)
(Deficit)/surplus after tax		(68,156)	31,769	(68,596)	29,337
Other comprehensive income					
Unrealised exchange gain/(loss)		230	(2)	-	-
Actuarial gain in respect of defined benefit pension schemes	29	32,661	34,307	32,661	34,307
Total comprehensive (expenditure)/income for the year		(35,265)	66,074	(35,935)	63,644
Represented by					
Endowment comprehensive income for the year		1,332	12,211	1,332	12,211
Restricted comprehensive income for the year		9,079	4,129	9,079	4,129
Unrestricted comprehensive (expenditure)/income for the year		(45,676)	49,734	(46,346)	47,304
		(35,265)	66,074	(35,935)	63,644

CONSOLIDATED AND UNIVERSITY STATEMENTS OF CHANGES IN EQUITY

for the year ended 31 July 2019

Consolidated	Income and expenditure reserve			Total
	Endowment	Restricted	Unrestricted	
	£000	£000	£000	
Balance at 1 August 2017	188,386	1,849	604,516	794,751
Surplus for the year	12,211	4,129	15,429	31,769
Other comprehensive income	-	-	34,305	34,305
Total comprehensive income for the year	12,211	4,129	49,734	66,074
Balance at 1 August 2018	200,597	5,978	654,250	860,825
Surplus/(deficit) for the year	1,332	9,079	(78,567)	(68,156)
Other comprehensive income	-	-	32,891	32,891
Total comprehensive income for the year	1,332	9,079	(45,676)	(35,265)
Balance at 31 July 2019	201,929	15,057	608,574	825,560

University	Income and expenditure reserve			Total
	Endowment	Restricted	Unrestricted	
	£000	£000	£000	
Balance at 1 August 2017	188,386	1,849	600,936	791,171
Surplus for the year	12,211	4,129	12,997	29,337
Other comprehensive income	-	-	34,307	34,307
Total comprehensive income for the year	12,211	4,129	47,304	63,644
Balance at 1 August 2018	200,597	5,978	648,240	854,815
Surplus/(deficit) for the year	1,332	9,079	(79,007)	(68,596)
Other comprehensive income	-	-	32,661	32,661
Total comprehensive income for the year	1,332	9,079	(46,346)	(35,935)
Balance at 31 July 2019	201,929	15,057	601,894	818,880

The University's reserves comprise the following:

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

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

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

BALANCE SHEETS

for the year ended 31 July 2019

	Notes	Consolidated		University	
		2019 £000	2018 £000	2019 £000	2018 £000
Non-current assets					
Tangible assets	11	783,723	727,951	768,324	712,002
Investments	13	423,665	418,316	441,502	435,765
		1,207,388	1,146,267	1,209,826	1,147,767
Current assets					
Stock	14	870	854	529	600
Trade and other receivables	15	73,197	71,911	72,144	71,787
Cash and cash equivalents	21	204,595	207,399	196,016	199,594
		278,662	280,164	268,689	271,981
Creditors: amounts falling due within one year	16	(242,679)	(229,598)	(242,409)	(229,136)
Net current assets		35,983	50,566	26,280	42,845
Total assets less current liabilities		1,243,371	1,196,833	1,236,106	1,190,612
Creditors: amounts falling due after more than one year	17	(245,000)	(245,000)	(245,000)	(245,000)
Provisions					
Pension provisions	29	(168,252)	(86,514)	(167,667)	(86,303)
Other provisions	18	(4,559)	(4,494)	(4,559)	(4,494)
Total net assets		825,560	860,825	818,880	854,815
Restricted reserves					
Endowment reserve	19	201,929	200,597	201,929	200,597
Restricted reserve	20	15,057	5,978	15,057	5,978
Unrestricted reserve					
Income and expenditure reserve		608,574	654,250	601,894	648,240
Total reserves		825,560	860,825	818,880	854,815

The financial statements on pages 18 to 48 were approved by the University Court of the University of Glasgow on 11 December 2019 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

Year ended 31 July 2019

	Notes	Consolidated	
		2019 £000	2018 £000
Cash flow from operating activities			
(Deficit)/surplus for the year before tax		(68,016)	31,921
Taxation		(140)	(152)
(Deficit)/surplus for the year		(68,156)	31,769
Adjustment for non-cash items			
Depreciation	11	33,464	35,084
(Increase) in stock		(16)	(25)
(Increase)/decrease in debtors		(1,286)	9,797
Increase/(decrease) in creditors falling due within one year		13,081	(8,131)
Increase/(decrease) in other provisions		65	(192)
Pension costs less contributions payable		114,399	3,912
Changes in values of endowment assets and other investments		(2,752)	(13,468)
Adjustment for investing and financing activities			
Investment income	5	(7,195)	(6,571)
Gain on disposal of non-current assets		1,457	(1,054)
Gain on disposal of non-current assets - proceeds accrued		479	623
Interest payable		6,472	6,472
Capital grant income		(19,748)	(14,888)
Net cash inflow from operating activities		70,264	43,328
Cash flow from investing activities			
Endowment assets acquired		(2,373)	(5,792)
Payments to acquire other investments		(224)	(35,247)
Receipts from the sale of other investments		5	111
Payments to acquire tangible assets	11	(91,187)	(41,920)
Proceeds from sale of tangible assets		10	150
New endowment income	6	2,807	1,372
Investment income	5	7,195	6,571
Capital grant receipts		19,748	14,888
Net cash outflow from investing activities		(64,019)	(59,867)
Cash flows from financing activities			
Interest paid		(6,472)	(6,472)
New endowments	6	(2,807)	(1,372)
Net cash outflow from financing activities		(9,279)	(7,844)
Currency translation		230	(2)
(Decrease) in cash and cash equivalents in the year		(2,804)	(24,385)
Cash and cash equivalents at beginning of the year		207,399	231,784
Cash and cash equivalents at end of the year		204,595	207,399
(Decrease) in cash and cash equivalents in the year		(2,804)	(24,385)

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 July 2019

1 Tuition fees and education contracts

	Consolidated		University	
	2019	2018	2019	2018
	£000	£000	£000	£000
Home students	33,272	32,839	33,272	32,839
EU students	9,062	7,919	9,062	7,919
Rest of the UK students	22,373	21,520	22,373	21,520
Overseas students	141,969	120,032	137,346	115,766
Short courses	6,859	6,035	6,859	6,035
Other fees	1,631	2,518	1,631	2,518
Research support grants	13,068	13,093	13,068	13,093
	228,234	203,956	223,611	199,690

2 Funding body grants

	Consolidated		University	
	2019	2018	2019	2018
	£000	£000	£000	£000
Main teaching grant	84,457	82,872	84,457	82,872
Main quality research grant	48,478	45,935	48,478	45,935
Research postgraduate grant	7,560	7,344	7,560	7,344
Knowledge transfer grant	2,150	1,409	2,150	1,409
Infrastructure grants	9,907	9,365	9,907	9,365
Other funding council grants	10,272	11,502	10,272	11,502
	162,824	158,427	162,824	158,427

3 Research grants and contracts

	Consolidated		University	
	2019	2018	2019	2018
	£000	£000	£000	£000
Research Councils	67,247	62,690	67,247	62,690
UK Charities	58,561	53,535	58,561	53,535
UK Government (including RDEC)	23,366	23,898	23,366	23,898
European Union	20,448	18,205	20,448	18,205
UK industry	6,058	7,726	6,058	7,726
Overseas	8,330	8,129	8,330	8,129
Other sources	1,324	1,112	1,324	1,112
Capital grant income	9,730	5,523	9,730	5,523
	195,064	180,818	195,064	180,818

NOTES TO THE FINANCIAL STATEMENTS

(continued)

for the year ended 31 July 2019

4 Other income

	Consolidated		University	
	2019	2018	2019	2018
	£000	£000	£000	£000
Residences and hospitality services	30,343	29,197	30,343	29,197
Other services rendered	30,746	28,309	28,482	26,094
Health authorities	4,535	4,790	4,535	4,790
Other income	14,501	12,222	17,143	14,571
Capital grant income	111	-	111	-
	80,236	74,518	80,614	74,652

5 Investment income

	Consolidated		University	
	2019	2018	2019	2018
	£000	£000	£000	£000
Income from expendable endowments	892	875	892	875
Income from permanent endowments	4,890	4,754	4,890	4,754
Income from short-term investments	1,413	942	1,405	910
	7,195	6,571	7,187	6,539

6 Donations and endowments

	Consolidated		University	
	2019	2018	2019	2018
	£000	£000	£000	£000
New endowments	2,807	1,372	2,807	1,372
Donations - restricted	11,093	4,826	11,093	4,826
Donations - unrestricted	443	150	441	146
	14,343	6,348	14,341	6,344

7 Staff costs

	Consolidated		University	
	2019	2018	2019	2018
	£000	£000	£000	£000
Salaries	260,596	246,811	258,267	244,965
Social security costs	26,959	25,498	26,585	25,002
Other pension costs	68,697	64,108	68,449	63,975
	356,252	336,417	353,301	333,942

NOTES TO THE FINANCIAL STATEMENTS

(continued)

for the year ended 31 July 2019

Staff costs (continued)

	Consolidated		University	
	2019 £000	2018 £000	2019 £000	2018 £000
By staff category:				
Academic departments	154,168	143,208	153,002	142,283
Academic services	16,776	15,262	16,776	15,262
Research grants and contracts	67,160	66,434	67,160	66,434
Residences and hospitality services	2,741	2,898	2,741	2,898
Premises	12,303	12,818	12,303	12,818
Administration and other central services	23,743	22,418	23,433	22,054
Other income generating	10,664	9,271	9,437	8,218
Other pension costs	68,697	64,108	68,449	63,975
	356,252	336,417	353,301	333,942

Remuneration of the Principal:	298	288
Contributions in lieu of pension	39	-
Contribution in respect of pension:	11	52
Total remuneration	348	340

The Principal received no taxable or non-taxable benefits-in-kind during the year to 31 July 2019.

Ratio of the Principal's remuneration to the median salary of a University staff member	9.03:1	8.35:1
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The median is based on the annualised, full-time equivalent remuneration of all staff at the reporting date.

In October 2017, Court decided that the role of Convener of Court should be remunerated at a rate of £500 a day up to a maximum of 50 days a year. The remuneration earned up to 31 July 2019 was £16k (2018: £14k).

	2019 Number	2018 Number
Average full-time equivalent staff members by major category:		
Academic departments	2,724	2,624
Academic services	429	407
Research grants and contracts	1,498	1,421
Residences and hospitality services	98	101
Premises	496	501
Administration and other central services	552	549
Other income generating	169	174
	5,966	5,777

NOTES TO THE FINANCIAL STATEMENTS

(continued)

for the year ended 31 July 2019

Staff costs (continued)

Key management personnel: Are the members of the Senior Management Group whom have authority and responsibility for planning, directing and controlling the activities of the University. Total remuneration (including pension contributions) in respect of these employees is £3,117,307 (2018: £2,670,518).

During the year the total remuneration of key management personnel increased by £356,399 due to the annualization of costs for new starters partway through the prior year and an increase in the total number of key management personnel from 15 to 16 employees.

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. Clinical academics' base salaries are set using NHS salary scales.

	2019			2018		
	Non-clinical staff	Clinical staff	Key management personnel	Non-clinical staff	Clinical staff	Key management personnel
	Number	Number	Number	Number	Number	Number
£100,001 - £110,000	37	10	-	31	9	-
£110,001 - £120,000	24	7	-	19	10	2
£120,001 - £130,000	13	8	4	14	7	2
£130,001 - £140,000	6	10	-	5	15	1
£140,001 - £150,000	4	11	1	5	6	3
£150,001 - £160,000	4	8	3	1	3	1
£160,001 - £170,000	2	3	1	1	5	-
£170,001 - £180,000	-	5	2	3	5	1
£180,001 - £190,000	2	3	-	-	5	1
£190,001 - £200,000	2	1	1	2	2	-
£200,001 - £210,000	1	3	-	-	4	-
£210,001 - £220,000	-	4	-	-	2	1
£220,001 - £230,000	-	1	1	-	1	-
£230,001 - £240,000	-	-	-	1	-	-
£240,001 - £250,000	1	-	-	-	-	-
£250,001 - £260,000	-	-	-	-	-	-
£260,001 - £270,000	-	-	-	-	-	-
£270,001 - £280,000	-	-	-	-	-	1
£280,001 - £290,000	-	-	1	-	-	1
£290,001 - £300,000	-	-	-	-	-	-
£300,001 - £310,000	-	-	-	-	-	-
£310,001 - £320,000	-	-	-	-	-	-
£320,001 - £330,000	-	-	-	-	-	-
£330,001 - £340,000	-	-	1	-	-	-

Excluded from the table is one key management personnel (2018: one individual) with total remuneration less than £100,000

NOTES TO THE FINANCIAL STATEMENTS

(continued)

for the year ended 31 July 2019

Staff costs (continued)

Facility time publication requirements

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

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

Table 1 - Relevant union officials

31 March 2019

Number of employees who were relevant union officials during the relevant period	44
Full-time equivalent employee number	41.61

Table 2 - Percentage of time spent on facility time

Number of employees

Percentage of time	
0%	-
1%-50%	44
51%-99%	-
100%	-
	44

Table 3 - Percentage of pay bill spent on facility time

31 March 2019

Percentage of pay bill	
Total cost of facility time	£62
Total pay bill	£332,832
Percentage of the total pay bill spent on facility time (calculated as total cost of facility time / total pay bill * 100)	0.02%

Table 4 - Paid trade union activities

31 March 2019

Time spent on paid trade union activities as a percentage of total paid facility time hours (calculated as total hours spent on paid trade union activities by relevant union officials during the relevant period ÷ total paid facility time hours x 100)	0.97%
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8 Interest and other finance costs

	Consolidated		University	
	2019	2018	2019	2018
	£000	£000	£000	£000
Interest on private placement bonds	6,472	6,472	6,472	6,472
Net cost on pension schemes	832	1,419	832	1,419
	7,304	7,891	7,304	7,891

NOTES TO THE FINANCIAL STATEMENTS

(continued)

for the year ended 31 July 2019

9 Other operating expenses

	Consolidated		University	
	2019 £000	2018 £000	2019 £000	2018 £000
Academic departments	76,470	71,695	76,470	71,695
Academic services	12,779	10,822	12,779	10,822
Research grants and contracts	81,747	70,708	81,747	70,708
Residences and hospitality services	18,794	19,946	18,794	19,946
Premises	33,832	40,546	33,832	40,546
Administration and other central services	15,349	12,115	17,775	14,717
Agency staff	3,004	2,038	3,004	2,038
Other income generating	9,236	8,439	6,774	5,728
	251,211	236,309	251,175	236,200

	Consolidated	
	2019 £000	2018 £000
Other operating expenses include:		
Operating lease rentals - land and buildings	15,422	14,726
External auditors' remuneration in respect of audit and assurance related services	103	91
External auditors' remuneration in respect of non-audit and assurance related services	28	28
Internal auditors' remuneration in respect of audit and assurance related services	298	226
Internal auditors' remuneration in respect of non-audit and assurance related services	15	25

10 Taxation

	Consolidated	
	2019 £000	2018 £000
UK corporation tax at 19% (2018: 19%)	-	40
Singapore corporation tax at 17% (2018: 17%)	140	112
Total tax expense	140	152

Reconciliation of current corporation tax charge:

(Deficit)/surplus before taxation - UK	(68,886)	31,103
Surplus before taxation - Singapore	870	818
	(68,016)	31,921
(Deficit)/ surplus before taxation multiplied by the average standard rate of corporation tax in the UK of 19%	(12,923)	6,065
Effect of:		
Surplus/(loss) falling within charitable exemption	13,088	(5,875)
Adjustment in respect of prior year	-	5
Effect of tax rates in foreign jurisdiction	(25)	(43)
Total tax expense	140	152

NOTES TO THE FINANCIAL STATEMENTS

(continued)

for the year ended 31 July 2019

11 Tangible Assets

	Consolidated				Total £000
	Freehold land and buildings £000	Equipment £000	Plant and machinery £000	Assets under construction £000	
	Cost:				
At 1 August 2018	786,749	127,537	11,612	46,924	972,822
Additions	-	9,459	-	81,728	91,187
Transfers	8,183	-	-	(8,183)	-
Disposals	-	(3,641)	-	-	(3,641)
At 31 July 2019	794,932	133,355	11,612	120,469	1,060,368
Depreciation:					
At 1 August 2018	145,007	98,866	998	-	244,871
Charge for the year	24,598	8,436	430	-	33,464
Disposals	-	(1,690)	-	-	(1,690)
At 31 July 2019	169,605	105,612	1,428	-	276,645
Net Book Value:					
At 31 July 2019	625,327	27,743	10,184	120,469	783,723
At 31 July 2018	641,742	28,671	10,614	46,924	727,951

	University				Total £000
	Freehold land and buildings £000	Equipment £000	Plant and machinery £000	Assets under construction £000	
	Cost:				
At 1 August 2018	781,134	127,537	-	46,924	955,595
Additions	-	9,459	-	81,728	91,187
Transfers	8,183	-	-	(8,183)	-
Disposals	-	(3,641)	-	-	(3,641)
At 31 July 2019	789,317	133,355	-	120,469	1,043,141
Depreciation:					
At 1 August 2018	144,727	98,866	-	-	243,593
Charge for the year	24,478	8,436	-	-	32,914
Disposals	-	(1,690)	-	-	(1,690)
At 31 July 2019	169,205	105,612	-	-	274,817
Net Book Value:					
At 31 July 2019	620,112	27,743	-	120,469	768,324
At 31 July 2018	636,407	28,671	-	46,924	712,002

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 includes £94.7m of land (2018: £94.7m) which is not depreciated and £120.5m (2018: £46.9m) of assets that are under construction and have not yet received a charge for depreciation.

NOTES TO THE FINANCIAL STATEMENTS

(continued)

for the year ended 31 July 2019

12 Heritage assets

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

The Hunterian

The Hunterian at the University of Glasgow is Scotland's oldest public museum and the collections are Recognised by the Scottish Government as being of national significance. The Hunterian has full Accreditation through Museums Galleries Scotland and is only the third Scottish museum and gallery to have been approved for Immunity From Seizure cover from the Scottish Government. The Hunterian is home to over 1.5 million items ranging from fossils to coins and medals. The Hunterian 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 in 1958. 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 wet specimens to skeletal material. The Zoology Museum houses most of the major groups of animals but has particular strength in insects, which constitutes 90% of the 600,000 specimens.

At Kelvin Hall, the University has created The Hunterian Collections Study Centre which offers a state-of-the-art environment for research, teaching and training. These unique facilities allow the University to build on its international reputation for collections and object-based pedagogies, offering much greater access to the collections while forging new academic and educational practice. To date approximately 65% of the collection has been relocated to the new facilities, the remaining collections will move over the course of the next few years.

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

Special Collections

The University of Glasgow's Special Collections department is one of the foremost resources in Scotland for academic research and teaching. The collection has been built up over a period of more than 500 years and now contains more than 200,000 manuscript items and approximately 200,000 printed works, including over 1,000 incunabula (books published before 1501). The collection covers a wide range of subjects including humanities, social and economic history and the history of science and medicine. Holdings in areas such as medieval and renaissance manuscripts and emblem literature are of world importance. During the financial year, Special Collections was open to the public Monday to Thursday 9am to 5pm (6pm during term time) and Friday 10am to 5pm. From 1 August 2019, Special Collections is open to the public Monday to Thursday 9.30am to 5pm and Friday 10am to 5pm. Special Collections is closed during public holidays.

Information about Special Collections policy for the acquisition, preservation and management and disposal of heritage assets can be found at:

<https://www.gla.ac.uk/myglasgow/specialcollections/aboutus/> and http://www.gla.ac.uk/media/media_514812_en.pdf.

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

Archives & Special Collections

University of Glasgow Archives & Special Collections 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. Archives & Special Collections is open to the public Monday to Thursday 9.30am to 5pm and Friday 10am to 5pm. Archives & Special Collections is closed during public holidays.

Information about the Archives & Special Collections policy for the acquisition, preservation and management and disposal of heritage assets can be found at: http://www.gla.ac.uk/media/media_514812_en.pdf.

Annual details can be found at: <http://www.gla.ac.uk/services/archives/about/ourperformance/annualreviews/>. There have been no significant disposals or acquisitions during the financial year.

NOTES TO THE FINANCIAL STATEMENTS

(continued)

for the year ended 31 July 2019

12 Heritage assets (continued)

Reliable information on cost or valuation cannot be obtained for the vast majority of collections held within the Hunterian and Archives & Special Collections. 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 2019 do not meet the definition of a heritage asset and therefore are not recognised on the balance sheet.

13 Investments

	Consolidated					Total £000
	Treasury stock	Unlisted investments	Listed investments	Endowment assets	Investment funds	
	£000	£000	£000	£000	£000	
At 1 August 2018	1,995	1,378	1,832	200,597	212,514	418,316
Additions	-	224	-	2,807	-	3,031
Disposals	-	-	-	-	-	-
Transfers	-	-	-	-	-	-
Net expenditure	-	-	-	(434)	-	(434)
Increase/(decrease) in market value	92	-	(247)	(1,041)	3,948	2,752
At 31 July 2019	2,087	1,602	1,585	201,929	216,462	423,665

All investments are stated at market value, except unlisted investments which are stated at cost.

	University					Total £000
	Treasury stock	Unlisted investments	Listed investments	Endowment assets	Investment funds	
	£000	£000	£000	£000	£000	
At 1 August 2018	1,995	20,659	-	200,597	212,514	435,765
Additions	-	365	-	2,807	-	3,172
Disposals	-	-	-	-	-	-
Transfers	-	-	-	-	-	-
Net expenditure	-	-	-	(434)	-	(434)
Increase/(decrease) in market value	92	-	-	(1,041)	3,948	2,999
At 31 July 2019	2,087	21,024	-	201,929	216,462	441,502

The University has a direct interest of 100% in the ordinary share capital of G U Holdings Ltd, UOG Utilities Supply Company Ltd and UGlasgow Singapore Pte Ltd (registered in Singapore) and a >99% direct interest in the ordinary share capital of Kelvin Nanotechnology Ltd, with 2 shares held by G U Holdings Limited. G U Holdings Ltd in turn owns 100% of the ordinary share capital of GU Heritage Retail Ltd. These companies are incorporated in the consolidated financial statements, along with the University of Glasgow Trust, an independent charity set-up to collect donations and disburse them for the benefit of the University. During the year, the University increased its capital investment in its unlisted investments, investing £355,000 into GU Holdings Limited and €12,000 in European Centre for Advanced Studies a joint venture with Stiftung Universität Lüneburg.

NOTES TO THE FINANCIAL STATEMENTS

(continued)

for the year ended 31 July 2019

13 Investments (continued)

	Consolidated		University	
	2019	2018	2019	2018
	£000	£000	£000	£000
Endowment assets:				
Listed investments	195,070	194,425	195,070	194,425
Other investments	6,859	6,172	6,859	6,172
	201,929	200,597	201,929	200,597

14 Stock

	Consolidated		University	
	2019	2018	2019	2018
	£000	£000	£000	£000
Raw materials & supplies	496	516	426	471
Finished goods	374	338	103	129
	870	854	529	600

15 Trade and other receivables

	Consolidated		University	
	2019	2018	2019	2018
	£000	£000	£000	£000
Research grants and contracts	43,524	40,614	43,524	40,614
Prepayments and other sundry debtors	20,999	22,389	18,267	20,988
Salaries recoverable externally	2,217	2,070	2,217	2,070
Courses, consultancies and contracts	6,457	6,838	6,457	6,838
Amounts due from subsidiaries	-	-	1,679	1,277
	73,197	71,911	72,144	71,787

There are no debtors due after more than one year in both the current and the prior year

16 Creditors: amounts falling due within one year

	Consolidated		University	
	2019	2018	2019	2018
	£000	£000	£000	£000
Research grants and contracts	89,711	92,293	89,711	92,293
Sundry creditors	31,045	31,905	30,432	31,335
Accruals and sundry provisions	74,791	65,633	74,382	65,246
Courses, consultancies and contracts	26,100	20,199	26,100	20,199
Employment cost liabilities	21,032	19,568	21,032	19,568
Amounts due to subsidiaries	-	-	752	495
	242,679	229,598	242,409	229,136

NOTES TO THE FINANCIAL STATEMENTS

(continued)

for the year ended 31 July 2019

16 Creditors: amounts falling due within one year (continued)

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	
	2019	2018	2019	2018
	£000	£000	£000	£000
Deferred income				
Research grants (within research grants and contracts)	67,377	76,770	67,377	76,770
Other income (within courses, consultancies and contracts)	12,726	8,133	12,726	8,133
	80,103	84,903	80,103	84,903

17 Creditors: amounts falling due after more than one year

	Consolidated		University	
	2019	2018	2019	2018
	£000	£000	£000	£000
Private placement bonds	245,000	245,000	245,000	245,000

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

18 Provisions for liabilities

	Consolidated and University			Total
	Funded pension liability	Unfunded pension liability	Ex-gratia pension liability	
	£000	£000	£000	
At 1 August 2018	2,867	1,623	4	4,494
Income	45	-	-	45
Transfer from Statement of Comprehensive Income and Expenditure	283	172	-	455
Utilised in year	(228)	(207)	-	(435)
At 31 July 2019	2,967	1,588	4	4,559

The University has responsibility for the following arrangements: St Andrew's College funded and unfunded pensions, Local Government Pension Scheme funded and unfunded pensions and ex-gratia pensioners.

The University's appointed independent actuary, PricewaterhouseCoopers LLP, carried out a valuation of the above pension liabilities at 31 July 2019 on an individual member basis.

NOTES TO THE FINANCIAL STATEMENTS

(continued)

for the year ended 31 July 2019

19 Endowment reserve

	Consolidated and University				2018 Total £000
	Unrestricted Permanent £000	Restricted Permanent £000	Restricted Expendable £000	2019 Total £000	
Balance at 1 August 2018					
Capital value	1,775	142,481	26,917	171,173	160,619
Accumulated income	379	25,354	3,691	29,424	27,767
	2,154	167,835	30,608	200,597	188,386
New endowments	-	1,024	1,783	2,807	1,372
Investment income	61	4,829	892	5,782	5,629
Expenditure	(19)	(3,953)	(2,244)	(6,216)	(5,657)
(Decrease)/Increase in market value of investments	(13)	(996)	(32)	(1,041)	10,867
At 31 July 2019	2,183	168,739	31,007	201,929	200,597
Represented by:					
Capital value	1,756	142,058	27,701	171,515	171,173
Accumulated income	427	26,681	3,306	30,414	29,424
	2,183	168,739	31,007	201,929	200,597
Analysis by type of purpose:					
Lectureships	2,183	70,513	19,961	92,657	92,784
Scholarships and bursaries	-	85,516	10,926	96,442	94,995
Prize funds	-	7,150	120	7,270	7,232
General	-	5,560	-	5,560	5,586
	2,183	168,739	31,007	201,929	200,597

20 Restricted reserve

	Consolidated and University			Total 2018 £000
	Capital grants £000	Donations £000	Total 2019 £000	
At 1 August 2018				
Research	-	5,978	5,978	1,849
New donations	-	11,093	11,093	4,826
Expenditure	-	(3,129)	(3,129)	(2,916)
Capital grant income	19,748	-	19,748	14,888
Capital grants utilised	(19,748)	-	(19,748)	(14,888)
At 31 July 2019	-	15,057	15,057	5,978

NOTES TO THE FINANCIAL STATEMENTS

(continued)

for the year ended 31 July 2019

21 Cash and cash equivalents

	Consolidated	
	2019	2018
	£000	£000
At 1 August	207,399	231,784
Cash outflow for the year	(2,804)	(24,385)
At 31 July	204,595	207,399

22 Consolidated reconciliation of net debt

	Consolidated	
	2019	2018
	£000	£000
At 1 August	180,118	166,455
Movement in cash and cash equivalents	(2,804)	(24,385)
Investment in subsidiary undertakings	224	247
Acquisition of investment funds	-	35,000
Acquisitions of listed investments	-	327
Disposals of listed investments	-	(127)
Change in market value	3,793	2,601
At 31 July	181,331	180,118
Analysis of net debt:		
Non-current Investments (excluding endowment assets)	221,736	217,719
Cash and cash equivalents	204,595	207,399
Private placement bonds	(245,000)	(245,000)
	181,331	180,118

23 Commitments

	Consolidated		University	
	2019	2018	2019	2018
	£000	£000	£000	£000
Commitments contracted at 31 July	189,938	205,306	189,938	205,306
Authorised but not contracted at 31 July	93,798	73,192	93,798	73,192
	283,736	278,498	283,736	278,498

24 Contingencies

There are no contingent liabilities.

NOTES TO THE FINANCIAL STATEMENTS

(continued)

for the year ended 31 July 2019

25 Leases

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

	Consolidated and University	
	2019	2018
	£000	£000
Lease commitments as a lessee:		
Within one year	15,354	14,727
In two to five years	18,105	17,811
After more than five years	4,434	6,870
	37,893	39,408

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

Lease payments receivable as a lessor:

Within one year	7,700	7,700
In two to five years	7,700	7,700
After more than five years	-	-
	15,400	15,400

26 Events after the reporting period

As set out in Note 29 in respect of the Universities Superannuation Scheme, a new Schedule of Contributions based on the 2018 actuarial valuation has been agreed. This results in a decrease of £68.9m in the provision for the Obligation to fund the deficit on the USS pension which would reduce the balance to £92.4m. This adjustment will be reflected in the University's Financial Statements for the year ended 31 July 2020.

27 Amounts disbursed as agent

	Consolidated and University			
	HE Childcare	HE Discretionary	2019 Total	2018 Total
	£000	£000	£000	£000
As 1 August 2018	-	-	-	-
Funds received in year	369	1,053	1,422	1,470
Expenditure	(231)	(1,194)	(1,425)	(1,471)
Virements	(139)	139	-	-
Interest	1	2	3	1
As 31 July 2019	-	-	-	-

NOTES TO THE FINANCIAL STATEMENTS

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for the year ended 31 July 2019

28 Disclosure of related party transactions

Due to the nature of the University's operations and the composition of the University Court 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 accordance with the 2017 Scottish Code of Good HE Governance, all members of Court are required to complete a register of interests to record any areas of potential conflict with the interests of the University.

No material transactions have taken place during the year and there were no material balances at the year-end.

29 Pension schemes

The University participates in the following pension schemes:

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

Total pension costs for the year were:

	2019	2018	2019	2018
	£000	£000	£000	£000
USS - contributions paid	52,251	47,223	52,020	47,105
UGPS - charge to income statement	13,339	14,306	13,339	14,306
SPF - charge to income statement	198	182	198	182
Other schemes - contributions paid	2,909	2,397	2,892	2,382
Total pension costs at 31 July	68,697	64,108	68,449	63,975

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.

NOTES TO THE FINANCIAL STATEMENTS

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for the year ended 31 July 2019

29 Pension schemes (continued)

The consolidated balances for USS, UGPS and SPF as shown in the financial statements and associated notes are as follows:

	Consolidated		University	
	2019	2018	2019	2018
	£000	£000	£000	£000
Pension provisions at 31 July:				
USS deficit reduction plan provision	(161,277)	(52,301)	(160,692)	(52,090)
UGPS net deficit in the scheme	(7,063)	(34,631)	(7,063)	(34,631)
SPF net surplus/(deficit) in the scheme	88	418	88	418
Total pension provisions at 31 July	(168,252)	(86,514)	(167,667)	(86,303)
Amount recognised in the Statement of Comprehensive Income and Expenditure:				
UGPS	33,212	33,295	33,212	33,295
SPF	(551)	1,012	(551)	1,012
Total gain/(loss) for the year	32,661	34,307	32,661	34,307
Interest and other finance costs:				
UGPS	(849)	(1,405)	(849)	(1,405)
SPF	17	(14)	17	(14)
Total net finance cost	(832)	(1,419)	(832)	(1,419)

a) USS

	Consolidated		University	
	2019	2018	2019	2018
	£000	£000	£000	£000
USS deficit reduction plan provision:				
At beginning of the year	(52,301)	(54,763)	(52,090)	(54,539)
Utilised in the year	2,644	3,709	2,632	3,695
Revaluation/additions in the period	(110,464)	(201)	(110,083)	(204)
Unwinding of the discount rate	(1,156)	(1,046)	(1,151)	(1,042)
At 31 July	(161,277)	(52,301)	(160,692)	(52,090)

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 Statement of Comprehensive Income in respect of the above, represents the contributions payable to the scheme in the year.

NOTES TO THE FINANCIAL STATEMENTS

(continued)

for the year ended 31 July 2019

29 Pension schemes (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 1.62% in 2019 (2018: 2.21%). 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 was 18% to 31 March 2019 and 19.5% from 1 April 2019 (2018: 18%). The total USS pension cost for the University in the year was £52.3m (2018: £47.2m). This includes £4.8m (2018: £4.1m) of outstanding contributions at the balance sheet date. The latest available full actuarial valuation of the Scheme was at 31st March 2017 (the valuation date), which was carried out using the projected unit method. Since the institution cannot identify its share of the Scheme's assets and liabilities, the following disclosures reflect those relevant for the Scheme as a whole.

The University's subsidiary Kelvin Nanotechnology Limited recognised its provision for the present value of the deficit reduction plan for the USS scheme in its individual financial statements and this provision is included in the University's consolidated position. The latest available complete actuarial valuation of the Retirement Income Builder section of the Scheme was at 31 March 2017 ("the valuation date"), which was carried out using the projected unit method. Since the year-end, following the completion of the 2018 actuarial valuation, which indicated a shortfall of £3.6 billion and a funding ratio of 95%, a new deficit recovery plan has been agreed.

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

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

	2019	2018
Discount rate	2.44%	2.64%
Pensionable salary growth	n/a	n/a
Price inflation (CPI)	2.11%	2.02%

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

	2019	2018
Mortality base table	<u>Pre-retirement:</u> 71% of AMC00 (duration 0) for males and 112% of AFC00 (duration 0) for females.	<u>Pre-retirement:</u> 71% of AMC00 (duration 0) for males and 112% of AFC00 (duration 0) for females.
Mortality base table	<u>Post-retirement:</u> 96.5% of SAPS S1NMA "light" for males and 101.3% of RFV00 for females.	<u>Post-retirement:</u> 96.5% of SAPS S1NMA "light" for males and 101.3% of RFV00 for females.
Future improvements to mortality	CMI_2016 with a smoothing parameter of 8.5 and a long-term improvement rate of 1.8% p.a. for males and 1.6% p.a. for females.	CMI_2016 with a smoothing parameter of 8.5 and a long-term improvement rate of 1.8% p.a. for males and 1.6% p.a. for females.

NOTES TO THE FINANCIAL STATEMENTS

(continued)

for the year ended 31 July 2019

29 Pension schemes (continued)

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

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

Existing benefits:

Scheme assets	£67.4bn	£63.6bn
Total scheme liabilities	£79.2bn	£72.0bn
FRS 102 total scheme deficit	£11.8bn	£8.4bn
FRS 102 total funding level	85%	88%

A new deficit recovery plan was put in place as part of the 2017 valuation and is set out in the new Schedule of Contributions dated 28 January 2019. This requires payment of 5% of salaries over the period 1 April 2020 to 30 June 2034. In accordance with the requirements of FRS 102 and the SORP, the University has made a provision for this contractual commitment to fund the past deficit. In the prior year, the deficit payments were 2.1% of salaries up to March 2031.

This significant increase in deficit contributions has given rise to a substantial increase in the deficit provision which has increased from £52.3m to £161.3m, of this £109.0m is attributable to the change in the deficit contributions contractual commitment.

Since the year-end, following the completion of the 2018 actuarial valuation, which indicated a shortfall of £3.6 billion and a funding ratio of 95%, a new deficit recovery plan has been agreed. This amends the existing deficit recovery plan as set out in the 2017 valuation Schedule of Contributions. This new plan requires deficit payments of 2% of salaries from 1 October 2019 to 30 September 2021 and then payments of 6% of salaries from 1 October 2021 to 31 March 2028. As at 31 July 2019 and assuming all other assumptions used to calculate the provision remain unchanged, this would have resulted in a revised provision of £92.4m, a decrease of £68.9m from the current year end provision and a reduced charge to the Statement of Comprehensive Income of £40m.

b) UGPS

This is a defined benefit scheme which is externally funded and was until 31 March 2016 contracted out of the State Second Pension [S2P]. 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. The next full actuarial valuation of the Scheme is currently underway based on a valuation date of 1 April 2019.

The major assumptions used at 31 July are shown below:

	2019	2018	2017
Discount rate	2.10%	2.75%	2.50%
Retail price inflation	3.45%	3.40%	3.40%
Rate of increase in salaries	2.56%	3.15%	3.15%
Rate of increase to pensions in payment	2.65%	2.65%	2.65%
Consumer price inflation	2.65%	2.65%	2.65%

NOTES TO THE FINANCIAL STATEMENTS

(continued)

for the year ended 31 July 2019

29 Pension schemes (continued)

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

	2019	2019	2018	2018
	Male	Female	Male	Female
Member age 65 (current life expectancy)	21.3	24.1	23.0	25.8
Member age 45 (life expectancy at age 65)	22.2	25.5	25.1	28.3

	Value at 31 July 2019 £000	Value at 31 July 2018 £000	Value at 31 July 2017 £000
The assets in the scheme were:			
UK equities	-	-	28,888
Global equities	9,067	48,288	62,014
Corporate bonds	39,345	37,049	95,556
Government bonds	129,675	80,427	70,563
Diversified growth fund	140,263	116,909	134,308
Long lease property	38,410	41,628	-
Diversified credit	82,217	58,727	-
Direct lending	28,752	41,707	-
Cash/net current assets	6,841	1,132	21,375
Total	474,570	425,867	412,704

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

Total market value of assets	474,570	425,867	412,704
Present value of liabilities	(481,633)	(460,498)	(474,088)
Deficit in the scheme	(7,063)	(34,631)	(61,384)

The University has contributed 22.5% of pensionable salaries over the period to 31 July 2019. The University has entered in to a recovery plan for the pension scheme from 1 July 2017 to 1 April 2034. The University expects to make deficit reduction contributions of £3.95m per year increasing by 2.5% per annum from 31 March 2023 to 31 March 2034. The recovery plan will be revisited every three years.

	2019 £000	2018 £000
Amount charged to operating surplus:		
Staff costs:		
Current service cost	(11,751)	(13,082)
Past staff costs	(625)	-
Administration costs	(963)	(1,224)
Total operating charge	(13,339)	(14,306)
Interest and other finance costs:		
Expected return on scheme assets	11,631	10,296
Interest on scheme liabilities	(12,480)	(11,701)
Total net return	(849)	(1,405)
Total UGPS pension cost recognised in the income and expenditure account	(14,188)	(15,711)

NOTES TO THE FINANCIAL STATEMENTS

(continued)

for the year ended 31 July 2019

29 Pension schemes (continued)

	2019	2018
	£000	£000
Other Comprehensive Income (OCI):		
Actual return on assets excluding amounts included in net interest	42,916	7,088
Actuarial (loss)/gain on scheme obligations	(9,704)	26,207
Actuarial gain recognised in the OCI for UGPS	33,212	33,295

The cumulative gain recognised in the Other Comprehensive Income to date is £24m (2018: £9.2m loss).

	2019	2018
	£000	£000
Movements in present value of scheme assets during the year:		
Assets at beginning of the year	425,867	412,704
Movement in year:		
Interest income	11,631	10,296
Actual return on assets excluding amounts included in net interest	42,916	7,088
Contributions by the employer	8,544	9,169
Benefits paid	(14,388)	(13,390)
Assets at the end of the year	474,570	425,867

Movements in present value of scheme liabilities during the year:		
Liabilities at beginning of the year	460,498	474,088
Movement in year:		
Current service cost	11,751	13,082
Past service costs	625	-
Administration costs	963	1,224
Interest cost	12,480	11,701
Actuarial (gain)/loss	9,704	(26,207)
Benefits paid	(14,388)	(13,390)
Liabilities at the end of the year	481,633	460,498

Details of the experience gains and losses for the years to 31 July:

	2019	2018	2017	2016	2015
	£000	£000	£000	£000	£000
Fair value of scheme assets	474,570	425,867	412,704	378,598	337,388
Present value of scheme liabilities	(481,633)	(460,498)	(474,088)	(431,233)	(385,697)
Deficit in the scheme	(7,063)	(34,631)	(61,384)	(52,635)	(48,309)

c) SPF

This is an externally funded multi-employer defined benefit scheme that covers both past and present employees, that was until 31 March 2016 contracted out of the State Second Pension [S2P]. The element of the SPF that is 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). The 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.

A valuation of the University's benefit obligation in respect of its members has been estimated by a qualified independent actuary based on the 31 March 2017 valuation results, rolled forward onto the assumptions used below at 31 July 2019.

NOTES TO THE FINANCIAL STATEMENTS

(continued)

for the year ended 31 July 2019

29 Pension schemes (continued)

	2019	2018	2017
Discount rate	2.10%	2.75%	2.50%
Retail price inflation	3.45%	3.40%	3.40%
Rate of increase in salaries	2.56%	3.15%	3.15%
Rate of increase to pensions in payment	2.65%	2.65%	2.65%
Consumer price inflation	2.65%	2.65%	2.65%

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

	2019	2019	2018	2018
	Male	Female	Male	Female
Member age 65 (current life expectancy)	21.6	24.1	21.6	23.9
Member age 45 (life expectancy at age 65)	23.6	26.0	23.5	25.9

	Value at 31 July 2019	Value at 31 July 2018	Value at 31 July 2017
	£000	£000	£000
The assets in the scheme were:			
Equities	12,970	11,308	11,968
Bonds	2,506	3,198	2,360
Property	1,970	1,984	1,854
Cash	876	753	674
Total	18,322	17,243	16,856

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

Total market value of assets	18,322	17,243	16,856
Present value of liabilities	(18,234)	(16,825)	(17,619)
Surplus/(deficit) in the scheme	88	418	(763)

The University paid contributions to the fund at 36.2% of pensionable salaries to 31 July 2019. Additionally, the University has paid £250k of deficit contributions between 1 August 2018 and 31 July 2019 (2018: £250k).

	2019	2018
	£000	£000
Amount charged to operating surplus:		
Staff costs:		
Current service cost	(162)	(182)
Past service cost	(36)	-
Total operating charge	(198)	(182)
Interest and other finance costs:		
Expected return on scheme assets	471	419
Interest on scheme liabilities	(454)	(433)
Total net return	17	(14)
Total SPF pension cost recognised in the income and expenditure account	(181)	(196)

NOTES TO THE FINANCIAL STATEMENTS

(continued)

for the year ended 31 July 2019

29 Pension schemes (continued)

	2019 £000	2018 £000
Other Comprehensive Income (OCI):		
Actual return on assets excluding amounts included in net interest	848	175
Actuarial gain/(loss) on scheme obligations	(1,399)	837
Actuarial gain/(loss) recognised in the OCI for SPF	(551)	1,012

The cumulative loss recognised in the Other Comprehensive Income to date is £0.3m (2018: £0.2m gain).

Movements in present value of scheme assets during the year:

Assets at beginning of the year	17,243	16,856
Movement in year:		
Interest income	471	419
Actual return on assets excluding amounts included in net interest	848	175
Contributions by the employer	402	365
Contributions by the scheme participants	27	27
Benefits paid	(669)	(599)
Assets at the end of the year	18,322	17,243

Movements in present value of scheme liabilities during the year:

Liabilities at beginning of the year	16,825	17,619
Movement in year:		
Current service cost	162	182
Past service cost	36	-
Interest cost	454	433
Actuarial (gain)/loss	1,399	(837)
Contributions by the scheme participants	27	27
Benefits paid	(669)	(599)
Liabilities at the end of the year	18,234	16,825

Details of the experience gains and losses for the years to 31 July:

	2019 £000	2018 £000	2017 £000	2016 £000	2015 £000
Fair value of scheme assets	18,322	17,243	16,856	15,125	13,578
Present value of scheme liabilities	(18,234)	(16,825)	(17,619)	(15,768)	(15,062)
Surplus/(deficit) in the scheme	88	418	(763)	(643)	(1,484)

NOTES TO THE FINANCIAL STATEMENTS

(continued)

for the year ended 31 July 2019

29 Pension schemes (continued)

d) NEST

The National Employment Savings Trust [NEST] has been set up by the government to assist employers in fulfilling their obligations under the Auto-Enrolment regulations and is a defined contribution scheme that is not contracted out of the State Second Pension [S2P]. It covers both qualifying workers under the NEST Autoenrol section of the scheme, along with several support staff who had previously opted-out of UGPS under the NEST contractual section of the scheme. From 1 April 2014 has covered new members of staff who would previously have been eligible for UGPS.

The total pension cost for the University was £1.5m (2018: £1.2m). This includes £140k (2018: £113k) of outstanding contributions at the balance sheet date. Employees' regular contributions were £671k (2018: £508k).

e) STSS

The Scottish Teachers Superannuation Scheme [STSS] is an unfunded multi-employer defined benefit only pension scheme that was until 31st March 2016 contracted out of the State Second Pension [S2P]. It covers former members of the academic staff of St Andrew's College of Education.

Contribution rates to the Scheme for employees are tiered, in a range of 7.2% to 11.9% of pensionable salary and for employers are 22.4%.

Under the definitions set out in FRS 102 the STSS is an unfunded multi-employer defined benefit scheme and as the University is unable to identify its share of the Scheme's underlying assets and liabilities it has applied the exemption in FRS 102 to account for the Scheme as if it were a defined contribution scheme.

The latest actuarial assessment was carried out at 31 March 2016. The Scheme had total liabilities, for service to the 31 March 2016 of £22.8 billion and notional assets of £21.5 billion giving a notional past service deficit of £1.3 billion.

The total pension cost for the University was £63k (2018: £64k). This includes £5k (2018: £5k) of outstanding contributions at the balance sheet date. Employees' regular and additional voluntary contributions were £40k (2018: £41k) and £8k (2018: £9k) respectively.

f) NHSSS

The NHS Superannuation Scheme (Scotland) [NHSSS], operated by NHS Scotland, is an unfunded multi-employer defined benefit scheme that is a defined benefit only pension scheme and until 31st March 2016 was contracted out of the State Second Pension [S2P].

Contribution rates to the Scheme for employees are tiered, in a range of 5.2% to 14.7% of pensionable salary and for employers are 20.9%.

Under the definitions set out in FRS 102 the NHSSS is an unfunded multi-employer defined benefit scheme and as the University is unable to identify its share of the Scheme's underlying assets and liabilities it has applied the exemption in FRS 102 to account for the Scheme as if it were a defined contribution scheme.

An actuarial assessment was carried out at 31 March 2016. The Scheme had total liabilities, for service to the 31 March 2016 of £34.7 billion and notional assets of £32.5 billion giving a notional past service deficit of £2.2 billion.

The main financial assumptions adopted for the latest actuarial assessment were:

Discount rate

For liabilities and contribution rate	2.8% pa real; 4.86% pa nominal until 2019 and then 2.4% pa real; 4.45% nominal
For cost cap rate	2.4% pa real; 4.45% nominal

Pension increase

2% pa

Long term salary growth

4.2% pa, 2.2% pa in excess of assumed CPI

The total pension cost for the University was £978k (2018: £767k). This includes £105k (2018: £66k) of outstanding contributions at the balance sheet date. Employees' regular contributions were £642k (2018: £563k) and £10k (2018: £7k) in respect of additional voluntary contributions.

NOTES TO THE FINANCIAL STATEMENTS

(continued)

for the year ended 31 July 2019

29 Pension schemes (continued)

e) MRCPS

The Medical Research Council Pension Scheme [MRCPS], operated by the Medical Research Council [MRC], is a funded multi-employer pension scheme that provides benefits based on service and final pensionable pay at the normal retirement age of 65. 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. 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.

Former members of staff of the MRC transferred to the University of Glasgow under TUPE regulations are covered by the MRCPS. Contribution rates to the Scheme for employees are 6.5% and for employers are 15.9% (14.9% before 1 April 2018).

Under the definitions set out in FRS 102 the MRCPS is a funded multi-employer defined benefit scheme and as the University is unable to identify its share of the Scheme's underlying assets and liabilities it has applied the exemption in FRS 102 to account for the Scheme as if it were a defined contribution scheme.

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

The main financial assumptions adopted for latest valuation were:

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

The total pension cost for the University was £315k (2018: £335k). This includes £25k (2018: £28k) of outstanding contributions at the balance sheet date. Employees' regular contributions were £131k (2018: £148k) and £21k (2018: £22k) in respect of additional voluntary contributions.