HERIOT WATT UNIVERSITY | 200 Years

Reports and Financial Statements

For the year ended 31 July 2020

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Introduction by Principal and Vice-Chancellor

Reflecting on the University's performance over the 2019/20 year, I am pleased to report on the progress made in delivery of Strategy 2025 and the successes across our global community, albeit contextualised by the most adverse of circumstances. From the outset of 2020, the world was hit by Covid-19, the global pandemic that has impacted us all, and - for the University - every campus location, every part of our operation, our people and partners. Over the past period, through focusing on our purpose as a University, we have remained committed to driving economic recovery and opportunities for our graduates through our approach to education, research and external engagement across our global communities.

In this context, I want to recognise the commitment, resilience, hard work and creativity of staff across the whole University. We have worked tirelessly, managed risks and created solutions, working with Government and Health Authorities in all our locations to ensure that our staff and students stayed safe whilst we continued to deliver learning, teaching and research. New initiatives were conceived and rapid adaptations made through use of technology. World-leading research outputs were produced and our students were able to progress through their academic studies, despite the many challenges. We have truly demonstrated what can be achieved when our global community works together. It has been important that our students progressed to graduation during the academic year 2019/ 2020 on the intended timeline and this has been achieved in circumstances that are far from normal. I am also both grateful and touched by the kindness and support from many alumni and colleagues who contributed to the fund I established to support students in need as a result of the pandemic. These funds have been drawn upon across all our campus locations.

The following sections of this Report provide details relative to each theme of Strategy 2025. Introducing these, I will highlight a number of developments during the year.

Partnership has always been central to our strategy and I want to highlight the *Student Partnership Agreement* which is reviewed and updated annually and which underpins the progressive relationship with our students focusing on student learning and life. The partnership works globally, reflecting our commitment to an integrated approach across our campus locations and engendering a sense of belonging to the global University community. This year, despite the pandemic, has seen a greater focus at all campus locations on physical exercise, sport, and development of a sense of individual wellbeing and purpose.

The Enhancement-Led Institutional Review, initiated by the Quality Assurance Agency early in 2020 – and concluded at the end of the year following a Covid-19 induced delay - recognised and commended the University's positive partnership working with student representative bodies; its global and connected approach to student support; the institutional commitment to enhancing learning and teaching and our institutional quality framework. Heriot-Watt received the *best possible outcome in the external review* which affirms that we have robust arrangements for securing academic standards and for enhancing the quality of the student experience, not just now, but into the future. In Dubai, we were awarded the top five-star rating by the Knowledge and Human Development Authority.

In research, we had some outstanding successes, including winning the Queen's Anniversary Prize in recognition of the world-class research and impact of the Institute for Social Policy, Housing, Equalities Research. With an increasing focus on enterprise and entrepreneurship, we launched the Global Research Innovation and Discovery (GRID) facility with its Enterprise Hub at the Edinburgh campus and created - thanks to the retirement gift of our Chancellor Dr Buchan and his wife - a new business investment fund. New research and learning facilities were also developed in our move to a new campus in Orkney. In Dubai there was a move to a new interim campus in Knowledge Park ahead of the opening of an adjacent brand new campus in 2021, co-locating with other leading universities as well as business and enterprise. The Centre of Excellence for Smart Construction was also launched in Dubai along with affirmation of working as one of the four major official partners with UK Pavilion at EXPO 2020.

During the year, we increased our focus on efficiency and effectiveness, recognizing the need to streamline and improve performance in some areas, to focus in on delivery of strategy and target cost savings in order to secure financial sustainability for the future. Faced with acute risks due to the pandemic, the University Executive and Court took the difficult decision to target both pay and non-pay savings in order to manage the impacts of Covid-19 and provide sufficient headroom to accommodate any further or future financial shocks. A programme of change was introduced in consultation with recognised Trade Unions, leading to a voluntary redundancy scheme and non-pay savings programme, with some re-shaping of professional services and alignment across global operations.

During 2021, we will be marking our Bicentennial year and celebrating our heritage and our progress as a leading international University focussing on excellence and impact through research and enterprise and delivery of world-class education. Partnership and collaboration will be at the heart of our approach, ensuring that our graduates have the benefit of insights from connectivity with business and industry and the opportunity to acquire the skills, confidence and competencies required for the global workplace and wider society. I am extremely proud of our strong track record in employability with 96% of students in employment or further study within 15 months of graduation.

OUR FINANCIAL PERFORMANCE

Following a change in senior management and external auditors during the period ended 31 July 2020, a full review of the balance sheet was undertaken which identified various issues related to the implementation of an update to the University's accounting system in 2012. Further investigation in conjunction with the external auditors, identified serious issues with financial controls, unreconciled migrated balances and a system setup error, which had led to erroneous and incorrect calculations in respect of revaluation of foreign currency balances. A review has also been undertaken with regard to Research Projects and the accounting for them under FRS 102 where no performance criteria exists. These matters relate over a number of years and as a consequence the University has concluded that the matters identified fall within the provisions which require a restatement to the accounts from prior years. This has led to movements of income between years. Correcting all issues identified has led to significant movement between balance sheet accounts, as well as reserve movements in prior years, which has impacted the statement of comprehensive income. These issues have resulted in delays to finalising the accounts. A summary of the changes is provided in note 32 to the accounts.

The newly appointed Internal Auditor's audit opinion for 2019/20 is covered on pages 24 - 25 and their work has recommended a number of changes to the framework for risk management, governance and changes to the management of internal audit recommendations. The Executive team has accepted the recommendations and are actioning changes to ensure stronger controls, good governance and compliance.

The University's financial outturn for the year was a surplus before other gains and losses of £8.2m. Excluding the USS pension provision movement the deficit before other gains is £15.3m. This is set in the context of the impact the pandemic has had on the global economy and the sector.

We released students early from their accommodation leases as Covid-19 restrictions emerged in March 2020. These restrictions also impacted on the income we earned from summer schools, pre-sessional English and income from ORIAM, Scotland's national performance centre for sport. The closure of exam centres throughout the world for our distance learning MBA programme resulted in losses in income for 2019/20. By moving the provision online, we were able to offer students the opportunity to sit their exams in August which resulted in the income being recovered in 2020/21.

As in previous years, the University has experienced large movements in the provisions for liabilities in the two main pension schemes, Lothian Government Pension Scheme (LGPS) and the Universities Superannuation Scheme (USS). The net movement of £5.5m masks the individual movements of £28.3m and £(22.7)m respectively. With the USS pension scheme undertaking a valuation exercise at 31 March 2020, we can expect pensions to be a dominant feature of the University's finances for many years to come. USS are consulting through UUK with employers on the indicative outcomes of the 2020 valuation which points to potential scheme deficits ranging between £14.9bn to £17.9bn with associated total contributions between 42.1% and 56.2%. We are currently engaging with UUK on their consultation and the levels of proposed contribution which appear to be unaffordable for both members and the University as employer. We are giving consideration to UUK's proposed alternative approach which would point to reform.

As at 31st July 2020, the University had net assets of £30.2m, a movement of £(18.5)m in the year due to the deficit and movements in pension provisions, whilst seeing an increase in cash reserves of £32.9m, which were boosted during the year through the raising of £15m and $19m of additional debt finance to fund the fit-out of the new campus in Dubai.

STRATEGY 2025

'Strategy 2025' – Shaping Tomorrow Together, builds on our proud history of providing access to education, ideas and solutions that make a real contribution to the world. This is the strategy of a truly international university, with five successful and connected campuses. Our values-led strategy underpins who we are, how we behave and the ways we work together across every aspect of the University. By living our values - *inspire, collaborate, belong, celebrate* - we are defining our community and contributing to the University's distinctiveness. Building on our strengths, it comprises four themes, which will guide how we continue to pioneer in education, excel in research, build flourishing communities and develop our globally connected status. Some of the major developments underpinning last year's performance will be presented under these themes in this Report and you can read the Strategy 2025 in full at https://strategy2025.hw.ac.uk

BUILDING FLOURISHING COMMUNITIES

The experiences of our students and staff are at the heart of our organisation. Our values-led strategy underpins who we are, how we behave and the ways we work together across every aspect of the University.

Together with our Student Representative Bodies in the UK, Dubai and Malaysia we have progressed our Student Partnership Agreement, which sets out our commitment to increase engagement, enhancing the student experience and engendering a sense of belonging to the University community. In the National Student Survey (NSS), the University broadly maintained its position, with around 85% of respondents satisfied overall with their studies. The University was ranked 1st in the UK for Physics, with 100% satisfaction; 1st in Scotland for Chemical Engineering, Physics, Marketing and Statistics; and in the UK top 10 for 10 out of our 24 subjects. There were strong improvements for Textiles & Design, Psychology and Electrical Engineering, reflecting the work and commitment of colleagues. The NSS results showed a fall in results for Organisation and Management, however there were improvements in student satisfaction with Learning Resources and Learning Community.

To engage more effectively with our University community – and recognising the particular challenges presented by working from home and online - regular *All Staff Executive Briefings* have been introduced, delivered online and typically attracting audiences of around 2000 colleagues. The purpose of the briefings is to provide up to date information on finances, progress of the Strategy, and updates on changes, also providing the opportunity for questions and answers – all recorded and documented online. Regular 'pulse surveys' have also been used with staff and students to be able to gauge and respond quickly and effectively to challenges during the pandemic. The success of these briefings indicates that we are building better and more direct engagement with meaningful dialogue, providing a forum for colleagues to ask direct questions of the Executive. This openness has been welcomed across the University and these briefings will continue to form an important part of our staff communications.

We have developed new approaches to support colleagues such as enhanced line management communications, signposting to support and a range of services designed to help staff whilst they are balancing work and a range of other responsibilities. This has included the introduction of an *Employee Assistance Programme*.

A number of changes were planned in the Executive structures during 2019/20 which have since been implemented with a view to streamlining the work of the University Executive. This included the introduction of a Global Operations Executive to focus on delivery of a new more integrated planning process, and delivery of strategy. We have committed to more transparent decision-making, better communication and improved day-to-day management of our people. This has involved supporting line managers by sharing information through the Management Hub, holding regular HR online development sessions and providing weekly manager cascades of information. We have also responded to the needs of colleagues with caring responsibilities by setting up a parents and carers network and helped ensure all staff have access to the appropriate IT and other items they need to have at home.

The year highlighted our shared responsibilities not just to challenge racism, but to deliver real and positive change. As an institution, we recognise there is more to be done in this space and we are determined to ensure students and staff from all backgrounds have a full and positive experience on campus. Commitment to Equality, Diversity and Inclusion is central to our values and strategy and will continue to inform the development of our people strategies going forwards.

Public engagement through 2019/20 was challenging but we continued to engage a wide range of audiences with Heriot-Watt research across our global campuses, both online and face-to-face. A highlight of the year was our *Doors Open Day* at our Edinburgh campus, where local families got hands-on with marine and earth science research in the Lyell Centre. Our researchers inspired debate and dialogue at a range of public events in Dubai, Malaysia and in Scotland. Across all our campus locations our researchers, staff and student volunteers have worked with local community groups to co-create solutions to local needs ranging from traffic problems in Scottish villages to the supply of hydraulic power supplies in remote areas of Sarawak in Malaysia. In Edinburgh, we also began a strategic partnership with Wester Hailes Education Centre, developing a STEM Hub to support and inspire pupils in this area of reduced opportunity in Scotland.

The COVID-19 pandemic led us to adapt our engagement for the second half of the year, taking part in online talks as part of Edinburgh's festivals. We continued to engage with our local communities throughout the pandemic, including making PPE for local care homes and social workers. Our students helped home-schooling efforts for primary and high schools across the nation with the Team ESTEEM sustainability challenge, inviting enterprising youngsters to develop innovative new learning spaces with the environment in mind. Heriot-Watt's 'Team ESTEEM' is the only UK University in the final of the prestigious Solar Decathlon Middle East 2020 competition. This global, inter-university competition seeks out the enterprising 'home of the future' where students, working with industry partners, design and then build a full-size, fully functioning solar-powered house. It is an extraordinary achievement and opportunity for us to showcase our research and education programmes, to a huge audience as part of World Expo 2020 in Dubai, at which Heriot-Watt will play a key role through our sponsorship of the UK pavilion.

PIONEERING IN EDUCATION

The Enhancement-Led Institutional Review, initiated by the Quality Assurance Agency early in 2020 – and concluded at the end of the year following a Covid-19 induced delay - recognised and commended the University's positive partnership working with student representative bodies; its global and connected approach to student support; the institutional commitment to enhancing learning and teaching and our institutional quality framework. Heriot-Watt received the best possible outcome in the external review which affirms that we have robust arrangements for securing academic standards and for enhancing the quality of the student experience, not just now, but into the future.

Heriot-Watt University Dubai received a five-star rating for the second time in a row in the annual Higher Education Classification ratings by the Knowledge and Human Development Authority) as well as winning the Best University award in the Forbes Middle East Higher Education Awards. Heriot-Watt is one of just three universities in Dubai to be awarded this level which benchmarks performance across a range of indicators, such as quality of teaching and research, learning environments, creativity and social responsibility.

The Learning and Teaching Academy (LTA) was established in 2019 as a centre of excellence for learning and teaching to drive forward the University's ambition to be Pioneering in Education and to realise the Inspiring Learning vision of the Learning and Teaching Strategy 2019-2025. The LTA has proved invaluable as the University pivoted into a 'Responsive Blended Learning' solution in the face of challenges to face to face teaching due to the pandemic. Responsive Blended Learning has provided an agile solution, capable of adaptation and providing flexibility to learn through a blend of online or face to face classes and tutorials as circumstances allow. This means that we have been able to continuously deliver learning, teaching and support to our students. The work of our Supporting Student Learning Online team was recognised by the Association of Learning Technology (ALT), winning the Learning Technology Team of the Year 2020.

The University has a long track record in pioneering in online learning with a large global community of students. We have continued to build on that platform throughout 2019/20, innovating in online delivery of our Digital Foundation Programme in Malaysia and rapid development of online English language teaching, proving invaluable in sustaining international recruitment and providing support and continuity to students in their learning and aspirations for the future. This resilience, adaptability and flexibility have proven to be invaluable in the extraordinary times.

University to University partnerships have also been critical in sustaining strong performance in international recruitment and these long term relationships have proved to be resilient, again providing a platform for innovative solutions designed to help our students progress their studies, despite the challenges. During the past period we have invested to expand our online capability, focusing marketing and development into a specialist team Heriot-Watt Online adopting a distinctive approach to ensure high flexibility of content and a desire to partner for skills development with the specific business sector and individuals.

Building on the success of the first year of our Graduate Apprentice partnerships, we are continuing to sign up new employers. Against a background of challenging market conditions, the Graduate Apprenticeships team continue to grow the number of companies they are engaging with across a broad range of industry sectors.

In June we launched a unique global collaboration between the University and leading businesses from the financial, energy and retail sectors. Designed to drive economic recovery, **Future Made for Success** addresses the challenges faced by graduates of 2020. The programme is the first step in Heriot-Watt's ambitious recovery prospectus designed to support an inclusive economic recovery. It includes a unique, virtual enterprise development programme for graduates and an enhanced package of careers support. Additionally, a series of industry sponsored scholarships, worth 30% of tuition fees, will allow students to consider 30 different MSc postgraduate courses building 'in-demand' skills in subjects including Data Science, Renewable Energy Engineering, A.I., Robotics and International Fashion Marketing. Organisations already participating include Cisco, Schneider, Santander, LVMH, James Dyson Foundation, Business in the Community, Filament and Dar Group.

The Empower programme designed at our Malaysia Campus is an innovative programme that encourages students to develop the broader skills required for life and work. This programme has impacted the lives of hundreds of students and is part of a range of personalised interventions to provide a strong sense of purpose and confidence for all graduates enhancing employability and strengthening the impact of graduates in shaping the future.

The integration of the Edinburgh Business School within the School of Social Sciences was fully embedded in the last academic year and has been a significant success, strengthening our international reach through our campuses, partners and the expansion of new online learning programmes including a fully modernised version of our MBA. The restoration of economist Adam Smith's Panmure House in the heart of Edinburgh, cements the School as a home for world-leading economic and social debate and the latest academic thinking. 2019/20 saw the inaugural Adam Smith lecture at Panmure House, led by Andrew Haldane, the Chief Economist of The Bank of England and the Hutton Series of lectures continues into 2021. The Hutton Series of lectures is inspired by James Hutton the father of modern geology and frequent visitor to Panmure House and the executor of Adam Smith's will. This series is designed to provide open discourse around energy, climate change and resource use and availability, in recognition of the increasing need for reasoned debate between industry, NGOs, government and the public. The discussions held at Panmure House then, at the dawn of the industrial revolution, resonate strongly with those required now as we grapple with a global energy use transition.

EXCELLING IN RESEARCH AND ENTERPRISE

This academic year marked the first year of operating our Research Futures Academy – offering training and collaboration opportunities for research staff and students both within and beyond the University. Its work has already been recognised through national awards such as 'HR Excellence in Research' from Vitae and a 'Leadership and Management' award from Times Higher Education.

Research outputs include some outstanding successes. Engineers at the University developed the world's first building brick made from 90% recycled construction and demolition waste, now being produced through an award winning spin out. The K-Briq produces just a tenth of the CO2 emissions of a traditional fired brick, uses less than a tenth of the energy in its manufacture and has been recognised with a prestigious innovation award and the STEM Research Project of the Year at this year's Times Higher Education Awards.

The University won its 3rd Queen's Anniversary Prize in November 2019, in recognition of the world-class research and impact of the Institute for Social Policy, Housing, Equalities Research (I-SPHERE). I-SPHERE has collaborated with leading charities, frontline providers, academics and policy makers, generating a critical mass of internationally recognised expertise on the topic of acute hardship, precipitating a step-change in both the policy and academic impact of the work delivered.

Early-stage companies based in the Edinburgh Business School Incubator continue to thrive. From the world's first flat-pack solar energy collector to exciting tech for cyclists and new ways of recycling food waste, a diverse range of businesses have benefited. Attracting over £1.2m of private investment including support from Innovate UK, Royal Academy of Engineering, RBS BackHer, Santander Emerging Entrepreneurs, there have been over 20 finalists in national enterprise competitions; 12 patents filed; 30 spin-out propositions supported; and 8 companies set up, creating a turnover exceeding £1m.

The National Robotarium funding from the Edinburgh City Deal has enabled completion of the design of the new centre and developed our existing capabilities. The new centre is currently under construction and will advance our work in widening the deployment of AI and robotics for the common good. Allied to this new research, projects have been undertaken as part of the UKRI Trustworthy Autonomous Systems (TAS) programme, funded through the UKRI Strategic Priorities Fund and delivered by the Engineering and Physical Sciences Research Council (EPSRC). The TAS programme brings together the research communiities and key stakeholders to drive forward cross-disciplinary fundamental research to ensure that autonomous systems are safe, reliable, resilient, ethical and trusted.

2019/20 saw the official opening of our Global Research Innovation and Discovery facility, known as GRID. This £19 million investment brings together academic research, business enterprise, student learning opportunities and entrepreneurial talent. The facility builds on existing initiatives across our international hub network to initiate new partnerships globally.

University academics have been leading research to support action and recovery from the Covid-19 challenge. To give a few examples: Firstly, our pioneering work in seeking to assure effective and sustainable pathways for global delivery of vaccines. The Centre for Sustainable Road Freight is co-leading a major research project to design an efficient delivery mechanism to get Covid-19 vaccines to billions of people around the globe. Universal vaccine access is already a major challenge, particularly in low-income countries across the global south with the lack of robust cold-chains identified as a key issue.

Secondly, a group of biomedical engineers helped manufacture vital supplies for frontline NHS staff at the beginning of the lock-down period when stock was low. Production of protective face shields took place at our Edinburgh campus with the aid of 3D printers and highly-specialist industrial laser cutting machines, with both academic and technical staff involved.

The third action is in response to the unparalleled global health and economic crisis. The impact of this is ongoing and countries across the world now face the difficult prospect of restarting their economies. In response to this, the University has developed a Recovery Prospectus designed to support the global recovery efforts in relation to Covid-19. This sets out our commitments to an inclusive and sustainable recovery in all of the University's locations. We will evolve our organisation through new initiatives and partnerships, refocusing our research agenda, prioritising commercialisation and delivering new educational programmes that help people develop the skills and expertise they need to prosper. As we rebuild, Heriot-Watt University is committed to maximise opportunities for innovation, contributing solutions to significant issues and drive impactful socio-economic benefits. The launch of our Recovery Prospectus was welcomed by the Scottish Government's Advisory Group on Economic Recovery and it detailed the ways in which the University will contribute to the global economic recovery and the agenda to 'build back better'. This approach is adopted across all of our campus locations.

Senior colleagues have been appointed to a range of organisations including Prof Rory Duncan's appointment to UKRI Director for Talent and Skills and Prof Julian Jones's appointment to the Scottish Government Science Advisory Committee and the Scottish Funding Council Research and Knowledge Exchange Committee. Prof Mercedes Maroto-Valer has been appointed the UK's Industrial Decarbonisation Champion, to lead the Industrial Decarbonisation Research and Innovation Centre, based on our Edinburgh campus.

In December, Scottish craft brewer Innis & Gunn announced the first major brewery to be built in Edinburgh for 150 years would be located at the University's Edinburgh campus. Up to 30 new jobs will be created and Brewing & Distilling students will have the opportunity to gain hands-on experience across all aspects of brewing operations in a large-scale production brewery. The tie-up is the UK's first major collaboration of this type.

In October 2019, we launched the Centre of Excellence in Smart Construction in Dubai. This is undertaking internationally recognised research and industry engagement, providing a creative environment for collaboration between multidisciplinary research teams, industry and government to solve challenges facing the construction sector.

In July 2019, Celestia UK, specialists in the advancement of state-of-the-art antenna systems used for tracking satellites, announced that Heriot-Watt University's Research Park will be its permanent base in Scotland. This will enable the company to embark on its next development phase, which includes setting up new lab and assembly facilities, as well as establishing a larger base to deliver cutting-edge innovation in satellite-on-the-move user terminals and gateway systems. The Research Park is recognised internationally as a centre for high calibre science and engineering research. In its new facilities, Celestia UK will also design and produce a flat panel satellite antenna for aircraft, pioneering a next generation satellite link for enhanced in-flight connectivity.

The academic year 2019/20 saw research income for the Malaysia campus reach a new high with nineteen projects funded. Particularly noteworthy was the response of staff to the Covid-19 pandemic. A key highlight was work that assessed the impact of the Movement Control Order on the spread of the virus; work that directly informed the government's MCO exit planning.

A GLOBALLY CONNECTED UNIVERSITY

Across the University locations, we are building capacity and capability for a more integrated approach to our delivery and support of student learners and researchers. For example, the aforementioned GRID building provides a facility which promotes global collaboration across interdisciplinary activities with industry, incorporating an Enterprise Hub to support business innovation and showcase emerging technology and inventions. Our ambition is to provide similar, connected facilities in all locations. During the year, major developments in Dubai progressed with a move to a new location, co-locating our University campus with other leading universities as well as business and industry. The new campus facilities in Dubai will be completed and launched in 2021 as part of the University's Bicentennial Year celebrations and include new digital facilities to assure connectivity across the group.

As well as the move to a new campus location in Dubai, 2019/20 saw the opening of our new Orkney campus to enable a better focus and partnership in research with the local community in the marine sciences and energy systems sectors. These coastal topics are of international relevance to marine environment in Middle East and South East Malaysia and beyond.

Looking ahead, digital strategy is a critical enabler to Strategy 2025 and the University's globally integrated operation. Conditions in 2019/20 accelerated a digital transformation programme with enhanced online collaboration as we moved to using Office 365, Sharepoint and Teams. There have been many advantages derived, not least the level of collaboration evident and required amongst our staff and students across the world due to the pandemic. Work progressed towards delivery of the first stage of our Enterprise Resource Planning Programme. This is designed to transform our core people and financial processes to ensure efficiency and effectiveness as well as strengthening and improving management reporting.

We have also delivered enhanced global digital marketing with, for example, virtual Open Days, Graduation ceremonies and Festivals.

SHAPING TOMORROW TOGETHER

Through our Strategy 2025 - Shaping Tomorrow Together - Heriot-Watt is continuing to drive forward as a multinational University which places students and staff at the heart of everything we do. I relish the opportunity to continue working with our students, colleagues, alumni and partners as we bring our strategy to life and grasp the many opportunities we are already cultivating; expanding GRID as a global engine across our campuses, opening the UK's first National Robotarium, broadening our support of the AI and digital science economy, and the intensification of our online provision for work based leaners and professional upskilling. It is also time to deliver on our commitment to Global Environmental Sustainability, connecting into our entire operation and recognising our role as global leaders in this space.

I wish to recognise the dedication of all our staff in this challenging period. I am proud of the wonderful teamwork shown by so many in the service of our students. I am also thankful for the guidance of our Senate and Court members, the support of our Student Union, Sports Union and Student Councils across the University during the last year. I appreciate how much our colleagues have continued to strive to give the very best experience possible to all our students and staff. Our strategy underpins our purpose as a University and in the coming years we intend to use this moment to realise the benefits of this time of change to fulfil our mission and aims - especially as we reflect on our past two hundred years and reaffirm our commitment to shape the next two hundred year period.

Professor Richard A. Williams
Principal and Vice-Chancellor
April 2021

Strategic Report

Background

HERITAGE

The establishment of the School of Arts of Edinburgh in 1821 as the world's first Mechanics Institute saw the start of a worldwide movement that would revolutionise access to education in science and technology for ordinary people, with the purpose of addressing societal needs by incorporating fundamental scientific thinking and research into engineering solutions. As the institution developed through the Watt Institution and School of Arts (1852), Heriot-Watt College (1855) and, on receipt of its Royal Charter in 1966, into Heriot-Watt University there remained a focus on innovating and responding to the needs of business and industry.

In more recent times, the University has developed and flourished with the completion of the University's relocation to the purpose built Edinburgh campus by 1992 and the creation of the Scottish Borders campus and the University's School of Textiles and Design, based in Galashiels, born of the merger with the Scottish College of Textiles in 1998. The Orkney campus opened in 1989 as part of the International Centre for Island Technology and, the current period has seen the opening of a completely new and spectacularly located campus in Orkney, in partnership with the Orkney Council and adjacent to the our former base in Stromness. Turning to Dubai, in 2005 we established the first UK University overseas campus and, in the current period, this has moved to a new location in Knowledge Park ahead of a move during 2021 into a brand new campus complex. In 2014 we opened a state-of-the-art campus in Malaysia, serving the South East Asia region and beyond. In 2018 we opened Panmure House - the final home of the father of economics Adam Smith - as Edinburgh's Business School's contemporary centre of learning, debate and enlightenment.

The University remains true to its heritage of creating and exchanging knowledge for the benefit of society, delivering teaching that is professionally relevant and careers-focused, and developing world leading, innovative research that provides practical solutions to contemporary issues. It provides a distinctive education and a high-quality student experience and now stands as a leading institution with an established reputation for high quality across both its teaching and research, continuing to grow as a university characterised by a commitment to excellence.

INSTITUTIONAL STRUCTURE

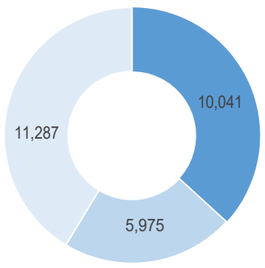
The University's teaching and research is structured around its five academic schools: the School of Energy, Geoscience, Infrastructure and Society, the School of Engineering and Physical Sciences, the School of Mathematical and Computer Sciences, the School of Textiles and Design and the School of Social Sciences – incorporating the Edinburgh Business School.

STUDENT NUMBERS, LOCATION, DOMICILE AND LEVEL OF STUDY

Heriot-Watt Group has 27,303 students. Their location, the domicile of those on Scottish campuses and the level of study are portrayed in the charts below:

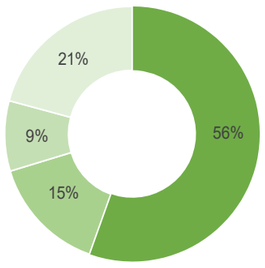
Beyond its campuses, Heriot-Watt University has an unsurpassed international in-country presence delivering degree programmes to 7,015 independent distance learning students and through an innovative Approved Learning Partner network where almost 4,275 students study in partner institutions across the globe.

Study location



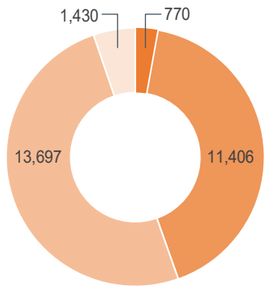
- Scottish campuses
- Dubai and Malaysia campuses
- International programmes

Domicile



- Scotland
- Elsewhere in the UK
- European Union
- Overseas

Level of study



- Foundation students
- Undergraduate students
- Postgraduate taught students
- Postgraduate research students

STAFF NUMBERS

We employ over 2500 members of staff in total - this is made up of 1115 academic staff and 1419 professional services colleagues. This includes 147 and 247 staff members employed at our Dubai and Malaysia Campuses respectively.

Shaping Tomorrow Together

OUR PURPOSE

From a pioneering institute born out of the Scottish Enlightenment in 1821, to a leader in transnational education, Heriot-Watt has become a global university through a commitment to its vision, mission and ethos.

OUR VISION

Our vision is to be world leading within all our areas of specialism.

OUR MISSION

Our mission is to create and exchange knowledge that benefits society.

OUR ETHOS

We put our community of students, staff and alumni at the heart of everything we do. Our distinctive strengths will continue to build a global University that pioneers innovation in education, research and enterprise.

OUR STRATEGY

Strategy 2025, entitled Shaping Tomorrow Together, continues to build on our heritage and expertise, our relevance and global presence. Heriot-Watt is a distinctive University with global reach and a proud history of providing access to education, ideas and solutions that make a real contribution to the world.

Our strategy is all about shaping tomorrow together. It comprises four high-level themes that connect to our activities and which will guide how we will continue to pioneer in education, excel in research, build flourishing communities and develop our globally connected status. During more difficult times, we have been guided by the aims and goals set out in Strategy 2025, helping us to make difficult decisions as we adapt to circumstances. More than ever, we have been grateful for the clarity and direction this has provided for all across the University.

Building flourishing communities

Heriot-Watt is a vibrant, international, intercultural and interdisciplinary community of staff, students and alumni. Our strategy will support all our communities in Scotland, Dubai and Malaysia, creating opportunities to engage staff and students with our vision, mission and values.

We will build flourishing communities by developing the wellbeing of our students and staff, promoting equality and diversity in all its forms across our locations, and embedding a culture of listening and engagement. Encouraging life-long learning and personal development will support our communities to achieve their ambitions and experience greater fulfilment.

Our alumni form an extensive, global community with whom we will build stronger relationships by encouraging new ways to grow their engagement with the University and to support their career development.

We will continue to work on the effectiveness, operation and structure of the University, to help our academics excel in their teaching, research and enterprise, creating opportunities for collaboration to flourish and encouraging partnerships between academia, business and industry.

Across all of our locations, we will seek to develop social and business partnerships that drive economic prosperity, deliver growth and increase our social impact. Encouraging mutually beneficial connections to flourish between our staff, students and wider society will underpin activities to share and exchange ideas, skills and learning.

Enabling our communities to be at the heart of the data revolution will also be a priority. We will grow our expertise in datadriven innovation and seek further opportunities to share that expertise, building on partnerships we have already formed, such as that with the Edinburgh and South East Scotland City Region Deal to become the 'data capital of Europe'. The outcomes we seek from this theme are:

- Happy, resilient, emotionally intelligent and future ready graduates
- A supportive environment for staff and students to achieve their full potential and shape the future
- A distinctive community that is values-led and purpose-driven
- Synergistic relationships between research, education and business
- An inspiring and dynamic environment to work and study

Pioneering in education

Heriot-Watt is highly regarded for its degree programmes based on professional and real practical relevance. Through inspirational approaches to learning, our students already acquire the key attributes that are valued by employers, including specialist expertise, creativity, global thinking and professionalism.

Our strategy will support all our students to acquire not only knowledge and skills but also intercultural intelligence, increased personal resilience and the confidence to cope with a rapidly changing world. We will develop a learning to learn approach which will help our students and graduates to flourish, equipping them to succeed and able to meet the emerging challenges of the Fourth Industrial Revolution.

We are committed to enhancing the learning experience of all our students, regardless of their location, level, mode or duration of study. The range of ways in which a student can gain their education with us is part of how we enhance their experience and we will continue to develop new pathways; be that on campus; through transfer between campuses; learning remotely and primarily through digital media; in partnership between the University and their employer; or by combining modes to best suit their individual circumstances.

Our degree programmes are highly regarded for their professional relevance and the resultant employability of our graduates. Through our strategy, we will continue to innovate in the area of global curriculum design. We will further develop our distinctive approach through the latest research into learning, increasing digitalisation, and combining individual and collaborative modes of study. Offering transformative educational opportunities, locally and globally, will ensure that the learning experience of our students will be inspiring, challenging and fulfilling.

The outcomes we seek from this theme are:

- Empowered graduates holistically developed through innovative learning and engagement methods
- Highly sought-after graduates
- Flexible, personalised and highly relevant programmes of studies to engage and upskill learners
- Providing new pathways and globally accessible education

Excelling in research and enterprise

Our strategy will capitalise on opportunities to grow research and enterprise across the University. We will implement a major expansion in our capacity and reputation through the creation of up to six research institutes. These will build on areas of existing excellence and strive to become internationally leading. They will exemplify our success in research of real value to society and will help to develop our enterprise activities worldwide. The new institutes will work with funders, businesses and other leading research organisations to co-create research propositions that place us at the forefront of intellectual discovery.

To grow our research portfolio, we will create a vigorous and supportive environment that develops opportunities to achieve excellence and which connects our international research communities across our locations and with our network of leading research partners. We will continue to recruit, retain and develop high calibre research leaders and support them through our values-led approach and our state-of-the-art infrastructure and facilities, enabling them to achieve world-class success in their areas of specialism.

Our strategy will substantially increase our research income and the contributions that our research will make to the economy and the environment. Through our interdisciplinary approach and close collaboration with industry and business, we will build on our reputation to seamlessly evolve our fundamental research to innovation and enterprise.

Developing the people and ideas that spark new businesses and transform organisations will help us to shape tomorrow through our approach to enterprise. We will integrate enterprise activities with our research and teaching, developing new partnerships and strengthening our interactions with business. Our aim will be to stimulate radical innovation, utilising state-of-the-art interactive spaces to develop creative relationships between our students, staff and business partners, leading to new funding streams and further accelerating the impact of our work.

The outcomes we seek from this theme are:

- Excellence and financial growth in research income supported by up to six new interdisciplinary research institutes
- Thought leadership that shapes the global research agenda
- Locally and globally connected enterprise ecosystem connecting students, staff and society
- Global reputation for transformative economic and societal impact that addresses Grand Challenges and contributes towards Sustainable Development Goals

A globally connected University

Heriot-Watt is a globally connected, multi-campus University, where our students and staff form an integrated international community. Our strategy will see us consolidate our move towards a single organisation where geographical location does not limit staff or student opportunities. Interacting across time zones and locations will be further enhanced through infrastructure that supports and enables exchange, collaboration and partnership.

Building an organisational culture that reinforces our global, connected identity will be a priority and we will establish wider shared working, and take early actions to evolve our structures to deliver effectively across all our locations. We will optimise our balance of resources to deliver our core business smoothly and efficiently across our multicampus structure and develop agility to respond to opportunities wherever they arise. We will also strengthen our capabilities in leadership throughout the University, so that our values-led approach is embraced by staff and students across our global community.

The University makes a significant contribution in each of its locations and we will work to further our impact and influence. We will increase our income and strengthen our financial sustainability by developing a more diverse portfolio of income in each of our locations, for example by expanding multi-modal teaching, through research funding, and from fundraising.

Heriot-Watt's reputation is based on a distinctive education and a pioneering approach: the extent to which we are taking forward our concept of a global university is part of that approach, and through it, we will provide stimulating, inspiring and exceptional opportunities for all students and staff. The outcomes we seek from this theme are:

- Globally connected students, staff and alumni community
- Robust, effective and efficient systems and methods
- Financially sustainable and diversified operations
- Digital transformation

Measuring our performance

We monitor what we do to ensure we operate in ways that live up to our purpose. Our operational plans are monitored to assess performance of both normal business activities and special initiatives, with our annual planning process driving refinement of plans as we adapt to a changing environment.

Our achievements are represented by a basket of strategic performance indicators (SPIs). The table below illustrates how our strategy themes principally align with the strategic performance indicators. Our Strategy 2025 website (https://strategy2025.hw.ac.uk/wp-content/uploads/2021/04/Strategy-2025-December-2020-Court-Strategy-meeting-Update.pdf) details our SPIs and progress made to achieve them.

Our priorities as we look forward into 2020/21 include:

> **Aligning our research to inclusive economic growth and green recovery**

Focusing our research strengths and commercialisation activities on enabling sustainable economic growth and supporting the green recovery. Our Global Research Institutes and Frontier Research Areas will support the creation of new high-growth, knowledge-driven economic sectors – creating the products and solutions of the future.

> **Focusing on the skills and expertise we need for the future**

Our pioneering online and responsive blended learning approaches have demonstrated, throughout the crisis, the agility of our University. The acceleration of skills of the future, and the reskilling/retraining of the existing workforce is required to drive an education-led recovery. We have a vital role to play in helping people prepare and transition into new ways of working, and in developing the skills and leadership required for coming times.

> **Inspiring our young people to be ambitious, resilient and enterprising**

We recognise that Covid-19 will have a disproportionately negative impact on our youth and, to help our students stand out, we commit to further instilling key qualities such as emotional intelligence and developing positive personal qualities such as resilience, happiness, self-awareness and self-motivation; alongside leadership qualities; and understanding purpose.

> **Engaging our global networks, to drive transformative recovery**

We will utilise our global networks as an engine for transformational recovery, to develop cross-cutting solutions for an inclusive, sustainable future - bringing together teams across disciplines, organisations and nations to work together to address the impact of this global crisis.

Our strategy for Environmental Sustainability, with direct linkage to the UN Sustainable Development Goals, will be brought forward in detail in 2020/21. Similarly, a globally pioneering approach to Inclusion and Wider Access is a significant development in the Bicentennial year, extending the well defined approach in Scotland to all our locations.

2025 Strategic Performance Indicators

Theme	Performance Indicator	2025 Target
Building Flourishing Communities	Staff Satisfaction	Sector Upper Quartile
	Economic Impact (Global)	Double impact by 2025
Pioneering in Education	Student Satisfaction	Upper Quartile
	Graduate Outcomes	Top Decile
	Inclusion and Wider Access	Pioneer a sector leading global approach
Excelling in Research and Enterprise	World University Ranking	Top 250
	Research Grant Income	Greater than £65m*
	Environmental Sustainability	Pioneer a sector leading global approach
Globally Connected University	Income Scale and Growth	Greater than £350m*
	Operating Surplus	Greater than 4%*
	Resource Efficiency	Greater than £150

*annually

Principal risks and uncertainties

The newly appointed Internal Auditor's audit opinion for 2019/20 is covered on pages 24 - 25 and this has recommended a number of changes to the framework for risk management, governance and changes to the management of internal audit recommendations. The most significant risk that the University currently faces remains the impact of the ongoing Covid-19 pandemic across the University's operations and the achievement of its strategic objectives. The impacts are being monitored through the University's strategic risk register, and a more detailed Covid-19 risk register which was developed in March 2020, and is maintained to monitor the actions required to mitigate the specific risks arising from the pandemic at all University campuses. The Covid-19 risk register is regularly reviewed and updated by the Covid-19 Response Team which has coordinated the University's response to the pandemic to date. This team reports to the University Executive and regular reports are provided to the Audit and Risk Committee and University Court.

This overall Covid-19 risk can be sub-divided into the following categories of more detailed risks and potential impacts which are being monitored:

- Staff and student wellbeing.
- Learning and student experience from restrictions in place and future lockdowns and travel restrictions.
- Return to campus for students and staff and maintaining a safe learning environment and workplace.
- Staff impact of sustained remote working and other restrictions in force.
- Income streams including student recruitment, research funding, and other commercial income.
- Ongoing re-organisation of the University's structure and processes to meet the financial challenges posed.

The ongoing impact of the Covid-19 pandemic on the University will continue to present significant risk and challenges to the University in 2020/21 but also in future years.

There are significant financial risks that the University faces as summarised below, and these risks have also been heightened by the impacts of the Covid-19 pandemic:

Risks in achievement of income targets: There are a number of underlying risks that remain significant in relation to the University's achievement of its income targets: ongoing risks around prospective Scottish Funding Council funding; the demography of a reduced number of 18 year-olds in the UK population; the potential impact of BREXIT and government immigration policy on our recruitment of international students to Scotland; the global economic downturn in key functional and geographic markets; and acute competition in overseas markets. These risks have been intensified due to the pandemic and the restrictions around global travel. The University has sought to mitigate these risks by the introduction of Responsive Blended Learning (RBL) which allows for a mixture of remote and face-to-face learning that can dynamically adapt to rapidly changing circumstances. The University has also put in place significant measures at all its campus locations to protect students and staff and to provide a safe study and work environment.

Risks to achievement of expenditure savings: The Covid-19 pandemic has presented significant financial challenges and the University introduced a programme of change leading to a voluntary redundancy scheme. Non-pay and pay savings were targeted to allow the University to continue to progress its strategic objectives and to continue to deliver a positive student experience. It has also implemented rolling budgets to accommodate the significant ongoing uncertainty around student numbers and fees and to dynamically manage budgets. Significant governance and oversight of expenditure is in place to address dynamic changes required to budgets and expenditure as circumstances change.

Risks to sustainability of employer's pension contributions: The third significant financial risk relates to the potential growth in employment costs associated with the University's exposure to defined benefit pension schemes, particularly the Universities Superannuation Scheme (USS). In September 2020, USS issued a consultation paper on its forthcoming valuation of the Scheme. This consultation paper outlines that the likely outcome of the valuation process will be a significant increase in the overall Scheme deficit and sets out a wide range of potential outcomes. In March 2021, USS issued the Scheme Actuary's Rule 76.1 report and the Trustee's contribution determination to the Joint Negotiation Committee. This determination is for a level of total employer and employee contributions of 49.6% compared to the current 30.7%. An increase of this magnitude is unaffordable from the perspective of the University and most probably also the members in the scheme. We await UUK's further consultation relating to this valuation exercise.

There are two other significant risks:

Political, governmental and constitutional change: the risk of political, governmental and constitutional change, is currently most acutely manifested in the ongoing potential impacts arising from the UK's decision to leave the European Union (EU). The University has sought to monitor and mitigate these risks where possible through close monitoring of all available sources of information, by the formation of a 'Brexit Group' and the development of a consequential Brexit Action Plan.

Dubai Campus transitional risks and opportunities: The move to a new location in 2020 presented both transitional risks and opportunities for the University. A long term contract for partnership for infrastructure and services in Dubai expired on 31 July 2020 and it was decided to move to a new location and take control of our own services in line with operations at other campuses. This is part of the strategic commitment to being a globally integrated university.The risks through the transitional period have been closely monitored and the University has successfully moved its operation to a new location and will move into new premises in 2021. The new campus is substantially complete and recruitment has been above target in both September 2020 and January 2021, with positive responses from students and staff. Contractual issues have arisen at the handover period at the end of the contract, with related legal matters arising. The new operating model and prime location is, however, creating improved opportunities for growth and development and will greatly enhance the student and staff experience.

Corporate Governance Statement

INTRODUCTION

The University aims to achieve best practice in all aspects of its governance. This statement describes the principal governance provisions which are currently in place to support this aim. The University's governing body, the Court, keeps these provisions under review to take account of evolving best practice, and to remain responsive to the needs and expectations of the University's stakeholders. The University seeks to ensure that it conducts its business in accordance with the nine Principles of Public Life: public service; selflessness; integrity; objectivity; accountability; openness; honesty; leadership; and respect. The commitment of the University Court to these principles is explicit in the Court's Statement of Primary Responsibilities and in advice provided to prospective and new members of the Court and its committees.

The powers of the University and the Court derive from the University's Charter and Statutes, as the University's primary constitutional documents. The Charter defines the objects, powers and responsibilities of the University, its principal officers, and the functions of the Court and the Senate of the University. The Statutes prescribe the supporting requirements for enactment: the membership, powers and functions of the Court and the Senate; the appointment, powers, duties and conditions of service of officers and members of staff; and provisions for the formation and approval of the Ordinances and Regulations.

According to the University Charter, subject to the terms of the Charter and the Statutes and to the powers reserved to the Court, the Court delegates to the Senate all of its powers in relation to academic work and standards. The Senate is therefore the executive body responsible for the academic work and standards of the University. The supporting Ordinances to the Charter and Statutes further clarify the responsibilities delegated by the Court to the Chair of Court, the Principal and the Secretary of the University.

Members of the Court are the charity trustees, as defined by the Charities and Trustee Investment (Scotland) Act 2005 and, as such, are bound by the duties and responsibilities set out in that Act.

GOVERNING BODY

Responsibilities and delegated authority

The University's Charter defines the powers of the Court as the governing body of the University with general control of the management and administration of the University. The key functions of the Court are to:

- be ultimately responsible for oversight of the affairs of the University;
- set and approve the University's strategic direction, vision and mission;
- ensure the effective management and control of the University's affairs, property and finances through the establishment of systems of internal control;
- ensure the effective management and administration of the University's staff and the students;
- determine the structure, staffing and overall composition of the University; and
- appoint the Chancellor, Pro-Chancellors, Principal, Vice-Principal and the Secretary of the University.

The Court Statement of Primary Responsibilities sets out clearly the responsibilities of the Court, aligned to guidance provided in the Scottish Code of Good Higher Education Governance (http://www.scottishuniversitygovernance.ac.uk/2017-code/). The Statement is published in full at: https://www.hw.ac.uk/services/docs/secretariat/statement-of-primary-responsibilties.pdf The Court has established a Code of Conduct for Members included in Standing Orders which govern the way in which the Court conducts its business, and has established similar Standing Orders for Court committees. These are reviewed annually.

The Charter prescribes that the Court may delegate powers to other bodies as it may determine from time to time. The agreed delegations are set out in the schedule published at: https://www.hw.ac.uk/services/docs/secretariat/court-delegated-authority. pdf The Charter, in article 7, stipulates the responsibilities which cannot be delegated by the Court to any other body.

In discharging its responsibilities the Court met eight times during the year 2019/20, including at two 'Strategy Discussion Days'. The first Strategy Discussion Day in the year, held in November 2019, focused on a detailed review of the outcomes against Strategic Performance Indicators supporting Strategy 2025. The Court also discussed priorities for years two and three of the Strategy and plans and progress relating to the University's Portfolio Modernisation project, its Online Strategy and its Environmental Sustainability Strategy.

The key topics at the May 2020 meeting focussed on financial performance and the opportunities, challenges and priorities in each of the four Strategy 2025 themes. The Court Strategy meeting also considered the details and recommendations of Morag Ross QC's report, relating to the systems and processes used in the appointment of Professor Kevin O'Gorman and in the University's response to concerns raised about his conduct. The QC's report was considered by the University Executive in October 2020 and the Staff Committee of Court in November 2020 and it was appended to the Staff Committee's regular report to the Court. The report categorised recommendations in three areas: recruitment; complaints; and working culture. It included a comprehensive review of the University's processes across these three areas, and its actions in the dismissal of Professor O'Gorman. The University accepted all the recommendations made and each recommendation has a corresponding University Executive response and action plan; with all actions led by members of the University Executive. In all cases, we are seeking to establish improved practice and procedures and embed changes in our operations and behaviours across all locations of the University. Looking to the future, the lessons learned will be kept in mind as new policies and procedures are developed and we will remain mindful of cultural differences across the University's locations. From a governance perspective, regular reporting on the three areas identified in the QC report has been received by the UE and the Staff Committee of Court. The report was released for publication on the University's website.

At each of its ordinary meetings in the year reported, the Court received an executive briefing from the Principal, which updated the Court on topical higher education sector policy issues, matters concerned with the work and progress of the University, and the work of the University Executive. In addition, the Court received reports from the Senate and reports from each of the committees of the Court which had met in the preceding period. The full reports from the Court committees, which are presented by the respective committee Chairs, are provided to the Court for information, for comment and, where relevant, include matters for approval. At each ordinary meeting of the Court, the President and a Vice-President Student Union member of the Court are provided with an opportunity to update the Court on items of news and issues of interest to the Student Union and the students it represents; in addition, the Court receives the annual report of the Heriot-Watt University Student Union.

The Annual Stakeholder Meeting will be held in June 2021, as required by the Scottish Code of Good Higher Education Governance.

In accordance with its constitutional responsibilities the Court has been involved in the progression of a number of senior appointments in the University including the appointment of the Chair of Court, the Vice-Principal and Provost, the University Secretary and Global Chief Operating Officer. The roles of Chancellor and Pro-Chancellors for Dubai and Malaysia are underway.

Court membership

The Court comprises twenty five members including the Chair, who is one of the fourteen independent lay members of the Court who form the membership majority. Nine are elected or nominated to the membership from different constituencies and a further two are ex-officio members. The diversity of experience of Court members enhances the overall effectiveness of the Court. The members of Court are listed on page 24. While a governing body membership of twenty five members is at the upper limit of good governance practice, according to earlier Scottish Code of Good Higher Education Governance advice, this number of Court members ensures that there are a sufficient number of individuals with a collective broad base of skills and experience available to support the work of the Court and all of its standing committees. The University's constitutional rules require that each standing committee of the Court shall include in its membership at least three members of the Court.

In autumn 2019 the University community of staff, students and Court members elected a new Chair of Court under the rules stipulated in the Higher Education Governance (Scotland) Act 2016 (The Act). Mr Grant Innes took up the appointment from 1 August 2020 in succession to Dame Frances Cairncross. The Chair of Court is assisted by a Deputy Chair of Court who was nominated by all Court members. Ms Morag McNeill was appointed as Deputy Chair of Court in January 2019 and continues in post. From 1 August 2020 the membership of the Court was also joined by two trade union members (one academic and one professional service) to meet the requirements of The Act.

A register of skills is maintained for the appointed lay membership and this register informs the decisions of the Governance and Nominations Committee, both in determining the skill sets and experience sought through advertising of forthcoming vacancies, and in the recommendations for succession planning and appointments that it makes to the Court.

In addition to the Principal and Vice-Principal, who are members of Court, regular further attendees at meetings of the Court include the Secretary of the University (who is Clerk to the Court), the Director of Governance and Legal Services, the Global Chief Financial Officer, the Provosts of the Dubai and Malaysia Campuses, staff members in Deputy Principal roles and the Chair of the Edinburgh Business School Advisory Board. This ensures that relevant additional advice and expertise is readily available to the Court when required during meetings. As and when particular agenda items require input of specific knowledge or expertise to add value to the discussion and the decision-making process, other members of the executive management team have been invited to attend part of an ordinary meeting of the Court to contribute to the discussion on that item of business. During 2019/20, all non-Court members of the University Executive, together with co-opted independent lay members of each of the Court's standing committees, were invited to attend Strategy Day meetings of the Court as full participants at those meetings.

Equality and Diversity

The Court continues to encourage diversity in its membership, whether this be through independent lay member appointments or by encouraging a full diversity of individuals to stand for election in the elected positions.

In the reporting year 5 of the 13 appointed independent lay members of the Court were female. The proportion of female members across the independent lay membership of the standing Committees of Court in 2019/20 were as follows: Audit & Risk 50%, Finance 50%, Global Student Liaison 66%, Governance & Nominations 80%, Remuneration 80%, and Staff 60%. The Court receives an annual report on the gender diversity of Court and Court committee memberships.

In the reporting year the Court approved an Equality and Diversity Strategy Statement for inclusion in the Court and Court Committee Membership Policy (https://www.hw.ac.uk/uk/services/docs/secretariat/court-membership-policy.pdf). The Strategy Statement augments the equality and diversity statement which describes the University's approach to equality and diversity and social responsibility. This can be read at: https://www.hw.ac.uk/uk/services/equality-diversity.htm. In parallel, a process has been established to collect information from applicants for vacancies on the Court and its committees in order that the University can monitor and evaluate effectiveness against its equality and diversity aims.

Members of Court

The following persons served as members of Court during the year (from 1 August 2019) to 31 July 2020 and up to the date of approval of these financial statements (26 April 2020).

Name of Member/Category of membership	Court meetings attended 2019/20
Chair of Court	
Dame Frances Cairncross (until 31 July 2020)	7/8
Mr Grant Innes (Court member until 31 July 2020, Chair of Court from 1 August 2020)	8/8
Deputy Chair of Court	
Morag McNeill	7/8
Principal & Vice-Chancellor	
Professor Richard A. Williams	5/5*
Vice-Principal	
Professor Julian D C Jones (until 31 July 2020)	8/8
Professor Mark Biggs (from 1 August 2021)	N/A
Senate	
Professor Scott Arthur (from 26 January 2021)	N/A
Professor Patrick Corbett (until 31 July 2020)	6/8
Dr Fadi Ghaith (until 31 December 2020)	6/7
Dr Amos Haniff	8/8
Dr Paul Hopkinson (from 10 December 2019)	6/6*
Dr James Richards (until 1 October 2019)	1/1*
Trade Union	
Mr Jürgen Munz (from 1 August 2020)	N/A
Professor David Cobham (from 1 August 2020)	N/A
Staff	
Professor Marc Desmulliez (from 1 August 2020)	N/A
Dr Alicia Greated (until 16 August 2019)	N/A
Dr Amanda Lyness (until 31 July 2020)	7/8
Professor Máiréad Nic Craith (until 31 July 2020)	8/8
Ms Dawn Skidmore (from 17 August 2019 until 18 January 2021)	6/8

Name of Member/Category of membership	Court meetings attended 2019/20
Graduate	
Mr Roger Murray (until 31 July 2020)	8/8
Mr Brian Henderson (from 1 August 2020)	N/A
Student Union	
Ms Aoife Clark (until 31 May 2020)	6/8*
Ms Emily Lucy King (from 1 June 2020)	1/2*
Mr Kieran Robson Renner (from 4 October 2019 until 31 May 2020)	5/5*
Mr Rahul Singh (until 3 October 2019)	1/1*
Ms Lara Stroudinsky (from 1 June 2020)	2/2*
Independent Lay Members	
Dr Richard Armour (from 27 September 2019)	7/7*
Ms Tracey Ashworth-Davies	7/8
Mr Graeme Dickson	8/8
Mr Steve Heathcote	7/8
Mr Cameron Millar	6/6*
Ms Marta Phillips	7/8
Mr Alan Robertson	7/8
Ms Jandy Stevenson	8/8
Mr Mike Tumilty	7/8
Mr Graham Watson	8/8
Ms Dorothy Wright (from 22 December 2020)	N/A

* Indicates total number of meetings held during period of membership

Effectiveness of the Court and Senate

In 2018 the University commissioned the Good Governance Institute to conduct a joint review of the effectiveness of the Court and the Senate. This arrangement was in compliance with the Scottish Code of Good Higher Education Governance, which requires that externally facilitated reviews of the Court and the Senate be undertaken at least every five years.

A summary report of the outcomes of that review can be viewed at: https://www.hw.ac.uk/services/docs/secretariat/Summary-Outcome-Mar-19-Web.pdf The review found that the University is fully compliant with the Scottish Code for Good Higher Education Governance 2017 and the UK-wide Higher Education Code of Governance produced by the Committee of University Chairs. The review team was also "satisfied that the Senate provides Court with an effective level of assurance across the broad spectrum of academic governance matters." As a result of the review, an annual meeting of the Senate and Court has been established; work has progressed on embedding a values-led approach to decision making; and the 'Lead Governor' scheme has been developed, increasing engagement and sharing of independent lay member expertise.

An annual (interim) Effectiveness Review of the Court was undertaken in 2019 and actions were agreed as a result of the findings. Key findings of the Review were focused on: the need to create more space in the Court plan of business for more strategic level discussions: the need to enhance the linkage between the Court and the Senate through opportunities for joint meetings; the use of technology to enhance the effectiveness of the Court and to support paper-free meetings; improved effectiveness and timely delivery of meeting papers; improving financial reporting; supporting the contributions that may be made by staff governors; opportunities for increased co-operation, collaboration, transparency and trust between Court members and the Executive.

The annual (Interim) Effectiveness Review of the Senate for 2019/20 was conducted in December 2020. The outcomes have been considered by the Senate at its meeting in February 2021 and by the Court. The review concluded that the Senate is effective in fulfilling its remit. The review identified some areas for development, and these are being taken forward. They include action to encourage Senators to submit topics for inclusion on the agenda; exploring options for broader participation in Senate meetings through different meeting formats such as break out group discussions; and preparation for a forthcoming joint meeting with the Court on a topic of shared interest.

During Covid-19, all meetings of Court and its committees have proceeded as planned but in an online format, including two annual Strategy Days. This has worked well and members have adapted to new ways of working.

Induction and development opportunities for members

A two day induction programme provides support to all incoming new members of the Court and its standing committees each year. Current members may use this opportunity to refresh their knowledge and members who reach the end of a period of appointment must re-attend Court induction at any renewal point. Opportunities are taken throughout the year to increase members' knowledge and understanding of the University's work and the governance and policy environment in which it operates, through tailored presentations and discussions, "show and tell" events or guided tours.

Court and Court committee members are also regularly informed of upcoming seminars and conferences which are relevant to higher education governance, for example, those provided by the Leadership Foundation for Higher Education (part of AdvanceHE) through its Governor Development Programme. Court members are also informed via regular briefings of new publications and news items of relevance. The programme of evening meetings throughout the year which are supplementary to the scheduled ordinary meetings and Strategy Days of the Court provide further future opportunities to develop Court members' knowledge and understanding of issues relevant to the University and to higher education more widely, thereby enhancing their effectiveness in their governance role.

Committees of the Court

The standing committees of the Court assist the Court in discharging its responsibilities in the governance oversight of the broad areas of: human resources; senior staff remuneration; estate and IT infrastructure; finance and asset management; risk, systems of internal control and audit, student representation and engagement, and effective governance. The Terms of Reference of committees of the Court are approved by the Court, ensuring that there remains clarity around the delegated powers and lines of responsibility between the Court and its committees. The membership of the Committees of Court is listed on pages [22-23]. The standing committees of the Court are described below.

The Interim Business Committee of Court may consider delegable items of business and take decisions on behalf of the Court during the summer recess, or as and when any urgent matter might require attention between ordinary scheduled meetings of the Court.

The Audit and Risk Committee met six times during the period reported, including once in joint session with the Finance Committee, with the External and Internal Auditors sitting in attendance at each meeting. The Audit and Risk Committee provides independent oversight of, and advice to the Court on: the adequacy and effectiveness of the University's systems of internal control (including financial systems, accounting procedures, measures to control the risk of fraud or malpractice); risk management arrangements; compliance with statutory Scottish Funding Council and other requirements; and governance arrangements to promote efficiency, effectiveness and value for money. The Committee oversees the process for the appointment and performance monitoring of Internal and External Auditors, and oversees audit review programmes and implementation of emerging recommendations.

The Finance Committee met seven times during the period reported, including once in joint session with the Audit and Risk Committee. The Committee's primary responsibilities include oversight of: the overall financial strategies of the University; financial forecasting and performance; the University's treasury activities including investments, borrowing commitments and borrowing terms; fundraising; working capital management; and the financial affairs of the University's trading and commercial activities. The Committee reviews and makes recommendations to the Court on business plans for new ventures, and ensures the development and implementation of finance and procurement policies which meet legislative and regulatory requirements and reflect best practice. The Finance Committee reviews and approves the annual accounts and financial statements for the Heriot-Watt University Group jointly with the Audit and Risk Committee. The Committee also reviews and monitors compliance with the Financial Memorandum with the Scottish

Funding Council and other relevant terms and conditions associated with funding grants and rewards. Four committees report to the Finance Committee: the Infrastructure Committee; the Endowments Committee; the University Collections Committee; and the Fees Working Group.

The Governance and Nominations Committee met five times during the period reported. The Committee's composition reflects the advice set out in the Scottish Code relating to the membership of a governing body nominations committee. The Governance and Nominations Committee advises the Court on all matters relating to governance and good governance practice, the conduct and effectiveness of Court business and the appointment of independent lay members of the Court and the standing committees of the Court.

The Remuneration Committee met twice during the period reported. The remit of the Committee is to review and determine the salary and other remuneration, including performance reward payments and conditions of service, of the most senior (Grade 10) staff of the University. The membership of the Committee includes independent lay members and includes one member who is entirely independent of the work or governance of the University. A staff member of the Court and the President of the Student Union are also members.

The Staff Committee met four times during the period reported. The Committee's remit is to advise the Court and make recommendations on the human resources strategy in relation to the University's strategic objectives, legislation and best practice, and to oversee workforce planning and employment policy as well as matters relating to equal opportunities, diversity, the welfare and security of staff, international staff governance and arrangements in place for staff representation.

The Global Student Liaison Committee, which includes international student representation, met three times during the period reported. The Committee provides a means for the Court to consider the effectiveness of the University's global mechanisms in place to review, monitor and continually enhance the student experience, and to ensure that appropriate levels of student feedback and representation are enabled and encouraged across all campuses of the University.

The Ordinances and Regulations Committee is a joint committee of the Court and the Senate and includes members who are appointed separately by both the Court and the Senate. The Committee met four times during the period reported. The purpose of the Committee is to advise the Court and the Senate on matters related to the Ordinances and Regulations of the University and to keep under review the University's Charter, Statutes and underpinning Ordinances and Regulations.

From time to time the Court will establish short life committees or groups which are delegated responsibility to oversee or advise on a particular project. One such group is the Dubai Non-Executive Advisory Group, which has been overseeing and acting in an advisory capacity on a major Dubai Campus project. The Court is represented in the membership of Heriot-Watt University Malaysia Board and the Edinburgh Business School Advisory Board.

The full terms of reference of each Court committee can be accessed via the following webpage: https://www.hw.ac.uk/uk/services/secretariat/university-committees-a-z.htm. The Terms of Reference are reviewed annually and submitted to the Court with assurance reports which describe the ways in which each committee has fulfilled its remit and responsibilities in the past year.

In addition to membership of Court committees and short life committees, the expertise and external perspectives of independent lay members of the Court are utilised through the invited involvement of such members in major organisational change projects. In addition, in 2019, the Court agreed to implement a 'Lead Governor Scheme' pairing up School and Campus Heads with independent lay members of the Court, to promote a cross-flow of ideas, and to enhance Court members' understanding of the academic work of the University.

Membership of Committees of Court

The following persons served on the committees of Court during the financial year reported in these accounts.

Name of Member/Committee	Meetings Attended
Audit and Risk Committee	
Independent Lay members of Court	
Ms Jandy Stevenson (Chair)	6/6
Dr Richard Armour (from 27/03/2020)	2/2*
Mr Graeme Dickson	6/6
Mr Roger Murray	6/6
Mr Mike Tumilty	4/6
Co-opted Members	
Ms Trish Gray	5/6
Ms Suzanne Wilson	4/6
Court Interim Business Committee	
Independent Lay members of Court	
Dame Frances Cairncross (Chair)	
Ms Tracey Ashworth-Davies	
Mr Morag McNeill	Committee does not meet
Mr Alan Robertson	
Ms Jandy Stevenson	
Mr Graham Watson	
Staff	
Professor Patrick Corbett	
Ex Officio	
Professor Julian Jones	
Professor Richard A. Williams	
Finance Committee	
Independent Lay members of Court	
Mr Graham Watson (Chair)	8/8
Dame Frances Cairncross	8/8
Mr Steve Heathcote	8/8
Ms Morag McNeill	7/8
Mr Cameron Millar	7/7*
Ms Marta Phillips	5/8
Mr Alan Robertson	8/8
Co-opted Members	
Mr Gerard Cassels	8/8
Ms Judith Cruickshank	7/8
Staff	
Professor Patrick Corbett	7/8
Ex Officio	
Professor Julian Jones	8/8
Professor Richard A. Williams	5/5*

Name of Member/Committee	Meetings Attended
Global Student Liaison Committee	
Independent Lay members of Court	
Ms Marta Phillips (Chair)	3/3
Dame Frances Cairncross	2/3
Ms Morag McNeill	3/3
Co-opted Members	
Mr Liam Burns	3/3
Students	
Mr Soehl Abraham	2/3
Ms Arissa Bahari (from 1 September 2019)	1/1*
Mr Rafael Camacho (until 31 May 2020)	1/1*
Mr Ben Graham (until 31 May 2020)	3/3
Ms Jennifer Lantair (until 31 May 2020)	2/3
Ms Elizabeth Lau (from 1 June 2020)	N/A
Ms Emily Lucy King (from 1 June 2020)	N/A
Mr Kieran Robson Renner (from 4 October 2019 until 31 May 2020)	2/2*
Mr Rahul Singh (until 3 October 2019)	1/1*
Ms Lara Stroudinsky (from 1 June 2020)	N/A
Ms Amber Taylor (from 1 June 2020)	N/A
Ex Officio	
Professor Richard A. Williams	2/2*
Governance And Nominations Committee	
Independent Lay members of Court	
Dame Frances Cairncross (Chair)	4/5
Ms Tracey Ashworth-Davies	3/5
Ms Morag McNeill	4/5
Ms Jandy Stevenson	5/5
Mr Graham Watson	3/5
Students	
Ms Emily Lucy King (from 1 June 2020)	1/1*
Mr Kieran Robson Renner (from 4 October 2019 until 31 May 2020)	1/3*
Mr Rahul Singh (until 3 October 2019)	0/1*
Staff	
Professor Máiréad Nic Craith	3/5
Ex Officio	
Professor Julian Jones	1/3*
Professor Richard A. Williams	5/5
	1/4*

* Indicates total number of meetings held during period of membership

Name of Member/Committee	Attendance
Remuneration Committee	
Independent Lay members of Court	
Ms Morag McNeill (Chair)	3/3
Ms Tracey Ashworth-Davies	3/3
Dame Frances Cairncross	3/3
Dr Fadi Ghaith	2/3
Mr Graham Watson	1/3
Co-opted Member	
Ms Evelyn Stevenson	3/3
Student	
Ms Emily Lucy King (from 1 June 2020)	1/1*
Mr Kieran Robson Renner (from 4 October 2019 until 31 May 2020)	1/1*
Mr Rahul Singh (until 3 October 2019)	1/1*
Staff Committee	
Independent Lay members of Court	
Ms Tracey Ashworth-Davies (Chair)	4/4
Dame Frances Cairncross	2/2*
Mr Grant Innes	4/4
Ms Morag McNeill	4/4
Mr Mike Tumilty	2/4
Co-opted Member	
Dr Sue Paterson	4/4
Staff	
Dr Amos Haniff	4/4
Dr Amanda Lyness	4/4
Ex Officio	
Professor Julian Jones	4/4
Professor Richard A. Williams	2/3*
Infrastructure Committee	
Independent Lay members of Court	
Mr Alan Robertson (Chair)	4/4
Dame Frances Cairncross	3/4
Ms Morag McNeill	2/4
Mr Cameron Millar	2/2*
Co-opted Member	
Mr David Lister (from 13 December 2019)	2/3*
Mr Brian Murray (from 6 September 2019)	4/4
Mr Jeremy Smart	3/4
Mr Norrie Westbrook	3/4
Student	
Ms Emily Lucy King	N/A
Mr Kieran Robson Renner (from 4 October 2019 until 31 May 2020)	4/4
Mr Rahul Singh (until 3 October 2019)	N/A
Staff	
Dr Alicia Greated (until 16 August 2019)	N/A
Dr James Richards (until 1 October 2019)	N/A
Mr Guilherme de Sousa (from 15 November 2019)	2/3*
Ex Officio	4/4
Professor Julian Jones	3/4
Professor Richard A. Williams	0/3*

Independence

The Court is satisfied as to the independence of the appointed lay membership of the Court. Appointments are made following open advertising and against clear criteria, taking into account the requirements of independence and diversity.

Reporting of Interests

The Group has taken the necessary steps to ensure compliance with Financial Reporting Standard 102's provisions on Related Party transactions. Any interests that, under this accounting standard, would require to be disclosed by members of the Court would be so disclosed, with appropriate recording in the Court minutes.

The University's Ethical Business: Conflict of Interest Policy applies to all members of the Court and its committees. The accompanying register of Court members' interests is updated annually and published on the University's website.

RISK MANAGEMENT

The University acknowledges the risks inherent in its activities and is committed to managing those risks, both to create value in times of uncertainty, and to address those that pose a significant threat to the achievement of its academic and business objectives, its financial health or its reputation. The systems for risk management and internal controls exist to manage and control the risk of failure to achieve academic and business objectives, and can only provide reasonable but not absolute assurance against material misstatement or loss. There is a continuous process for identifying, evaluating and managing the significant risks faced by the University, and these risks are reviewed regularly by the Risk and Project Management Strategy Group, the University Executive, the Audit and Risk Committee and the Court.

The Risk and Control Framework

The University has an established risk management policy, strategy and framework to effectively identify, assess, record, manage and report risks as follows:

- **Governance and Oversight**
  A Risk and Project Management Strategy Group has been established comprising members of the senior management team including the Principal, Vice Principal, Secretary, Deputy Principals and relevant Directors of Professional Services. This Group meets a minimum of four times per year and oversees the effective operation of the risk management strategy and framework. The outputs of that group's meetings are reported to the University Executive and Audit and Risk Committee who provide oversight and governance of risk. Annually, the Risk and Project Management Strategy Group, the University Executive, the Audit and Risk Committee and the University Court, in turn, review all of the operational risk registers across the University.
- **Responsibilities**
  The Assurance Services team oversees the effective application of risk management across the University and co-ordinates risk reporting to the relevant governance bodies. It also provides guidance and training on risk management to colleagues across the University. Responsibility for risk management has been allocated across the senior management team, and operational risk registers are maintained across all parts of the University. The University's Project Management policy requires that all significant projects maintain a project risk register to ensure that all risks relating to change projects are effectively identified, managed and reported. Internal Audit carries out an annual plan of audit reviews, which is focused on the key strategic risks facing the University. Findings from their work are followed up and remedial actions taken. On an annual basis, the Internal Auditors provide a report on the effectiveness of operation of the risk management framework based on the work they have performed.
- **Strategic Risk**
  A Strategic Risk Register is maintained containing the significant risks affecting the University's ability to achieve its strategic objectives. Strategic risks, escalated risks from the operational risk registers, and summary strategic project risks, are reviewed by the Risk and Project Management Strategy Group a minimum of four times per year, before being reported to the University Executive and the Audit and Risk Committee.

Covid-19 Risk
The Covid-19 Response Team was formed in March 2020 comprising members of the senior management team and reports to the University Executive. Its purpose is to manage the ongoing impacts of the Covid-19 pandemic on the University. A Covid-19 Risk Register was developed in March 2020 and has been maintained to identify and assess all significant risks arising from the unfolding pandemic on the University, and record the actions being taken to mitigate and control those risks. The Covid-19 Risk Register is regularly reviewed by the Covid-19 Response Team and updates have been provided to the Audit and Risk Committee and University Court.

- **Risk Appetite**
  A risk appetite statement is in place and is reviewed periodically to summarise the University's appetite for risk across different risk categories. Significant work was undertaken to review and update the University's Risk Appetite Statement in 2019 in order to align with Strategy 2025, the University's strategy. The updated Risk Appetite Statement was approved at the end of 2019, Replace highlighted section with:and was discussed at the Court Strategy Meeting in December 2020 in light of Covid-19 impacts. It was agreed that the Risk Appetite Statement remained generally fit for purpose.

INTERNAL CONTROL

The Purpose of the System of Internal Control

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives. It can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks, including information risks, to achieving strategic and operational aims and objectives; to evaluate the likelihood of those risks being realised and the impact should they be realised; and to manage them efficiently, effectively and economically. The wider system of internal control is based on an ongoing process designed to identify the principal risks to achieving the University's policies, aims and objectives; to evaluate the nature and extent of those risks; and to manage them efficiently, effectively and economically. The system of internal control has been in place in the University for the year ended 31 July 2020, and up to the date of approval of the annual report and accounts.

Review of effectiveness of the internal control system

The University's internal audit service throughout the reporting period was provided by RSM Risk Assurance Services LLP.

The Internal Auditor reports directly to the Secretary of the University on the system of internal control. Internal Audit ultimately exists to support the University in achieving its objectives and is one of the key sources of assurance on which the Audit and Risk Committee and the Secretary of the University rely.

In order to discharge its responsibilities effectively, Internal Audit develops an audit strategy and plan which outlines its programme of work. The audit plan takes into consideration the entire governance framework and the other assurance mechanisms and processes which include the risk management processes developed and maintained by University management.

It is the responsibility of the University Executive to:

- ensure a thorough and regular evaluation of the nature and the extent of the risks to which the University is exposed and the establishment and embedding of effective risk management processes and systems of control; and
- receive, comment on and act on the University Internal Audit forward plan; audit reports on reviews undertaken; reports on the University's progress in actioning internal audit recommendations; and the Internal Auditor's Annual Report.

Internal Audit provides regular reports to the Audit and Risk Committee on:

- the status of audits/reviews outlined in the approved Internal Audit Plan;
- key findings/themes and trends emerging from work undertaken;
- management implementation of agreed recommendations and actions; and
- significant changes to the Internal Audit Plan based on new/emerging risks.

These include the Internal Auditor's independent opinion on the adequacy and effectiveness of the University's system of internal control and recommendations for improvement. The Audit and Risk Committee regularly receives progress reports on the implementation of Internal and External Audit recommendations.

The Internal Auditor issues an annual internal audit opinion which is based upon and limited to the work performed, on the overall adequacy and effectiveness of the University's risk management, control, governance and economy, efficiency, and effectiveness processes. For the year ended 31 July 2020 the Internal Auditor has concluded, based on the internal audit work performed, that there are weaknesses in the framework for risk management, governance, internal audit and economy, efficiency, and effectiveness such that it could become inadequate and ineffective. The overall opinion is based on an assessment across the four compliance and a further four advisory internal audits performed during the year. The four compliance audits performed were as follows:

- Purchase and Corporate Cards
- Staff Recruitment
- Casual Workers
- Payroll

High Priority Audit findings in respect of these audits were:

Purchase and Corporate Cards:

There were six high priority findings in relation to approval of new cards, card holder details, credit limit increases, expenditure on corporate and procurement cards, and monitoring of expenditure. Management determined that a full holistic review of purchase and corporate cards was required, supported by new policies and procedures and staff training. The Internal Auditor will conduct a follow up audit during AY20/21.

Staff Recruitment (UK and Dubai):

There were three high priority findings in relation to approval to recruit, recruitment process and selection progress. Management actions to address these findings are either complete or in progress.

Casual Workers:

There were six high priority findings in relation to policy and/or procedural documentation, recruitment of research assistants in Dubai, recruitment of casual workers in Dubai and the UK, right to work visa checks and approval and recruitment of Tier 4 workers. Management actions to address these findings are either complete or in progress.

Payroll:

There were no high priority findings in respect of this audit.

Regular reports are made to the University Executive and the Audit & Risk Committee in respect of progress to complete actions to resolve outstanding internal audit findings.

The impact of the Covid-19 pandemic on the University and its operations in 2020 has been unprecedented, and is set against a backdrop of an ongoing strategic change agenda across the University that has included changes to the holders of several senior officers' posts. This has had a significant impact on the control environment, however the University Executive has noted the Internal Auditor's opinion, and has agreed to take a number of steps to improve the risk framework and system of control in 2020/21 and beyond, including oversight and support for the timely closure of internal audit recommendations.

Ernst & Young were appointed as the External Auditor in January 2020. The External Auditor also reports to the Global Chief Financial Officer, the University Executive, and the Audit and Risk Committee on any internal control issues that they identify during their audit activities.

During the year the Global Chief Financial Officer has lead a review of the VAT control environment. This identified a number of issues where VAT had been incorrectly calculated over a number of years. The University is in correspondence with HMRC with a view to rectify the situation.

Following management's review of the balance sheet and internal processes and procedures, the external auditor has reviewed and made comment on a number of internal control weaknesses which management accept and on which they are actioning improvements. A number of these weaknesses have resulted in the requirement to rectify balances relating to prior years as identified in note 32.

The Audit and Risk Committee's review of the effectiveness of the system of internal control is informed by:

- the comprehensive management information received by the University Executive on all of the University's operational activities;
- the controls that exist over planned expenditure and the regular reporting of actual expenditure and regular review of budgets and forecasts;
- the University Executive and managers across the University who are responsible for developing and maintaining the internal control framework;
- the work of the Internal Auditor, which submits regular reports to the Audit and Risk Committee that include the independent and objective opinion on the adequacy and effectiveness of the University's systems of internal control, together with recommendations for improvement; and
- comments made by the External Auditor in its Audit Results Report and other reports.
- The Audit and Risk Committee have engaged with the University Executive to discuss the findings of the Internal and External Audits and have noted, and will continue to monitor closely at each of its committee meetings, the urgency and adequacy of progress being made to address and rectify all identified weaknesses.

RESPONSIBILITIES OF THE UNIVERSITY COURT IN RELATION TO THE ACCOUNTS

The Court is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Group, ensuring proper internal controls are in place and weaknesses are addressed, and enable it to ensure that the financial statements are prepared in accordance with the University's governing instruments, the Statement of Recommended Practice (SORP): Accounting for Further and Higher Education, Accounts Directions from Scottish Funding Council (SFC) and other relevant accounting standards. In addition, within the terms and conditions of a Financial Memorandum agreed between the SFC and the Court of the University, the 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 Group and of the surplus or deficit and cash flows for that year.

In causing the Accounts to be prepared the Court has ensured that:

a. they are prepared on a going concern basis in that the Court is satisfied that the Group has adequate resources to continue in operation for the foreseeable future;

b. suitable accounting policies are selected and applied consistently;

c. judgements and estimates are made that are reasonable and prudent; and

d. applicable accounting standards are followed, subject to any material departures being disclosed and explained in the Accounts.

The Court has taken reasonable steps to:

a. ensure that funds from SFC are used only for the purposes for which they have been given and in accordance with the Financial Memorandum and any other conditions which the Funding Council may from time to time prescribe. Under the terms of the Financial Memorandum the designated officer, who is required to ensure such compliance, is the Principal and Vice-Chancellor;

b. ensure that there are appropriate financial and other internal controls in place to safeguard public funds and funds from other sources, and ensure value for money is achieved in the application of those funds. This system of internal control is continuously reviewed and developed in line with current best practice. Following external and internal audits, all recommendations have been accepted in full and are being actioned as a priority;

c. safeguard the assets of the Group and prevent and detect fraud;

d. secure the economical, efficient and effective management of the Group's resources and expenditure;

e. ensure that the Group's Executive has an adequate system of internal control, and regularly monitors and reviews 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; and

f. maintain a safe and secure environment for the staff and students.

The Court believes that the delivery of its mission by its charitable activities provides continuing public benefit and it aims to comply with the Office of the Scottish Charity Regulator's regulatory requirements, including the requirement to maintain independent control by its trustees.

THE SCOTTISH CODE OF GOOD HIGHER EDUCATION GOVERNANCE

During the reporting year, the University operated in compliance with the Scottish Code of Good Higher Education Governance (2017).

Professor Richard A. Williams
Principal and Vice-Chancellor
26 April 2021

Grant Innes
Chair of Court
26 April 2021

Corporate issues

OUTCOME AGREEMENT

Outcome agreements, which are negotiated individually between the Scottish Funding Council and institutions, are framed to ensure delivery of targeted outcomes in specific areas, notably widening access to increase the number of students from deprived areas of Scotland entering the University; new pathways for increased numbers of students to progress from Scottish further education colleges to the University; increasing skills training in various topics; increasing various aspects of equality and diversity in higher education; increasing Scottish universities' global research competitiveness; increasing university/industry collaboration in Scotland; and increasing Scottish universities' contributions to environmental sustainability.

The University continues to welcome this opportunity to demonstrate alignment of its activities with Scottish Government priorities and, through the negotiation of Outcome Agreements over a number of years now, has secured additional resources from the Scottish Funding Council to advance the targeted outcomes. The Agreements negotiated between the University and the Scottish Funding Council have responded constructively to the 'intensification' agenda (to drive more ambitious target-setting and accelerated delivery of priority objectives) and seek to advance our positive approach to delivering the well-aligned objectives of the University's Strategy 2025 and the Scottish Government in education, research and innovation

COLLEAGUE COMMUNICATION

Our strategy puts our community of staff, students and alumni at the heart of everything we do. This means regular communication with our staff and students around the world is essential to keep them informed and engaged, listen to their feedback and build trust and a sense of belonging.

Our global staff portal, *myHWU* is a key channel which has transformed our internal communications by providing quick and easy access to online services and global and local news and events. It is available 24/7 from any device and location across the world and can be personalised further at an individual level. The portal delivers targeted video and written content by campus, school/service and role.

Strong staff engagement is especially important in maintaining strong business delivery in times of change. The annual Staff Survey is one of the principal tools used to measure staff engagement, motivation, affiliation and commitment as it provides insights into employees' views. This remains one of our most important methods of getting communication and engagement back from staff. During Covid-19, we have introduced the use of 'pulse surveys' as a rapid means of capturing and responding to staff feedback.

Our line managers engage with staff through a range of formal and informal channels, including emails, blog posts, interviews and team meetings. In 2019/20, we introduced All Staff Executive Briefings which have been well attended and well received globally, creating a significantly improved reach across our staff community.

Throughout 2020, we have made significant improvements to our internal communications, including the:

- Publication of regular video interviews with a variety of staff to showcase our hard working teams across the globe and the variety of work they do each day.
- Introduction of a weekly news bulletin to support line managers to cascade information and share guidance regularly with their teams.
- Upgrade of our intranet to make better use of the Office 365 suite of applications available to enhance global online communication, interaction and collaboration between staff across the University.
- Development of our weekly staff and student newsletter to strengthen the content published and feature more global articles.
- Hosting of live monthly global town hall meetings for our leadership team to provide staff with greater transparency on strategic issues such as our financial challenge. These are recorded and include BSL interpretations.

EQUALITY AND DIVERSITY

Heriot-Watt University is committed to equality and diversity in an environment that promotes a culture of 'Inclusion for All'. This holistic approach helps us maintain an open and accessible working, living and learning environment where all are supported to reach their full potential.

Consistent with meeting our legal requirements, in April 2017 the University published a range of material that outlines how we respond to the equality and diversity agenda. Those publications, which are summarised below, can all be found at www.hw.ac.uk/equality:

- Inclusion for All: Mainstreaming Equality. Equality Outcomes 2017-21: This updates progress on our 2013-17 Equality Outcomes and outlines our plans covering 2017-21, including our Equality Outcomes action plan.
- Heriot-Watt University Equal Pay Statement: This builds on the last four years; our Equal Pay Statement includes pay gap data by gender, ethnicity and race and includes our Equal Pay action plan covering 2017-21.
- Heriot-Watt University Employee Information: We publish employee information under separate cover, with data covering recruitment, promotion, pay and remuneration, training and development, return after maternity leave, return to work of disabled employees following sick leave, relating to their disability, appraisal, grievances (including about harassment), disciplinary action (including for harassment) and dismissals and other reasons for leaving.
- Heriot-Watt University Student Information: we annually publish data online to show our student intake by protected characteristic.

Our Equality Outcomes cover two overarching areas:

- Fundamentals for Success: addressing those activities we will be progressing over the period 2017-2021, covering underpinning areas such as data collection and reporting.
- Equality and Diversity Interventions: sets out a range of project related work, usually spanning two-year timeframes.

In April 2019, we published a mid-point mainstreaming report for our Equality Outcomes along with an update of our action plan and equal pay information. Work will commence shortly on new Equality Outcomes for April 2021, alongside a new Mainstreaming Report and gender, disability and ethnicity pay gap information. The University is also developing a new approach to equality, diversity and inclusion across all our jurisdictions.The University is particularly committed to progressing through the Athena SWAN Charter Awards. We hold a University-wide Bronze Award with three of our academic schools (the School of Energy, Geoscience, Infrastructure and Society; the School of Mathematical and Computer Sciences; and the School of Engineering and Physical Sciences) also currently holding Bronze awards.

Equality and diversity activity is also embedded in our Outcome Agreement with the Scottish Funding Council, supplemented by our Gender Equality Action Plan, which pulls together actions relating to addressing gender balance in the student population across subject areas. The University also has a British Sign Language Local Plan that can be found at www.hw.ac.uk/uk/services/equality-diversity/bsl-local-plan.htm and are taking forward particular activities addressing the Equally Safe agenda which seeks to address gender based violence.

EMPLOYMENT OF DISABLED PERSONS

The University is an accredited Disability Confident Employer and, as such, we have been able to demonstrate progression against a set of standards in support of taking positive action to attract, recruit and retain people with disabilities. We are committed to:

- ensuring that people with disabilities receive full and proper consideration throughout the whole recruitment process;
- guaranteed interviews for those who meet the minimum essential criteria; and
- providing practical equipment or modification to enable disabled people to undertake full employment.

In the event of existing employees becoming disabled, every effort is made to ensure that their employment with the Group continues and that appropriate support is made available in partnership with the employee and their manager. It is the policy of the Group that the recruitment, training, career development and promotion of people with disabilities should, as far as possible, equal that of other employees.

Coronavirus Job Retention Scheme

The University continues to engage with the Coronavirus Job Retention Scheme. The University assessed the applicability of the Scheme for the specific circumstances of the University given the mix of funding from both the public and other sectors. That assessment is on-going as the Scheme rules change.

The University recognises the following unions: University and College Union (UCU), Unison, Unite and EIS.

Union representatives have a statutory right to reasonable time off for trade union duties and for trade union activities. Whilst these rights allow for a reasonable level of paid time off for trade union duties, this does not extend to paid time off for trade union activities. The University has Terms of Reference which set out the formal framework of the Combined Joint Consultation and Negotiation Committee (CJNCC) and its approach to dispute resolution. Facility time is the provision of paid or unpaid time off from an employee's normal role to undertake Trade Union duties and activities as a Trade Union representative.

As required under Section 13 of the Trade Union Act 2016 and The Trade Union (Facility Time Publication Requirements) Regulations 2017, the annual data on the number of hours and cost of facility time within the University is detailed in the table below:

For the period April 2019 to March 2020	
Trade Union Representatives and full time equivalents (FTE)	
• Trade Union representatives and full time equivalents (number of employees who were union representatives during the period)	10 1.5 FTE
• Percentage of Trade Union representatives working hours spent on facility time	0%: 1 1-50%: 9 51-99%: 0 100%: 0
Total pay bill and facility time costs	
• Total pay bill	£102.8m
• Total cost of facility time	£68K
• % of pay bill spent on facility time	0.07%
Paid Trade Union Activities	
• Hours spent on paid facility time	2310
• Hours spent on paid Trade Union activities	2310
• % of total paid facility time hours spent on paid Trade Union activities	100%

PENSIONS

The Group's employees are members of one of five pension schemes: the Universities Superannuation Scheme (USS), the Lothian Pension Fund (LPF), the Scottish Teachers Superannuation Scheme (STSS), Heriot-Watt Services Limited defined contribution pension scheme and the National Employment Savings Trust (NEST).

USS is a hybrid scheme providing benefits based on a combination of final pensionable pay and defined contributions. The reference date for the latest published actuarial valuation of the USS scheme is 31 March 2018. This latest valuation has revealed a reduction in the shortfall of assets when measured against the Scheme's technical provisions. At the valuation date, the value of the assets of the Scheme was £63.7 billion and the value of the Scheme's technical provisions was £67.3 billion indicating a shortfall of £3.6 billion and a funding ratio of 95%. For USS, the institution, along with all other member employers, entered into an agreement (the Recovery Plan) that determines how each employer within the scheme will fund the overall deficit, and so recognise, as a provision in its balance sheet, a liability for the net present value of the future contributions payable that arise from the agreement. With that improved funding position, a new deficit recovery plan has been agreed, which has the intention of eliminating the £3.6bn shortfall over the 10-year period to 31 March 2028. The new recovery plan has resulted in a revised provision of £26.2m as at 31 July 2020, a decrease of £22.7m from the provision at the previous year-end, that sum being released through the Statement of Comprehensive Income for the year ended 31 July 2020. The March 2020 valuation exercise is on-going and has not been finalised and therefore the effects on the pension provision is unknown.

The Group continues to operate its PensionPlus arrangement for employees who are members of USS. Those participating in this arrangement no longer pay employee pension contributions in the usual way. They have instead agreed to a reduction in their salaries equal to their pension contributions and the Group has, in turn, agreed to increase its own pension contributions to cover both the employee and the employer elements. Both sides have benefited from this arrangement, with reductions in employee and employer National Insurance contributions. The Group has reinvested the savings it has made in new initiatives and the employees involved have benefited from an increase in take home pay.

LPF provides benefits to members based on final pensionable pay. LPF published their latest triennial valuation report, for which the reference date is 31 March 2017, in March 2018. For the LPF, the net present value of the deficit between the underlying assets and liabilities of the University's share of the fund is identifiable as a provision in the University's balance sheet. During the year, that provision grew by £28.3m to £49.2m (note 18).

STSS provides benefits to members based on final pensionable pay. The latest valuation of STSS was completed by the Government Actuary's Department on behalf of the Scottish Government based on scheme data as at 31 March 2016, which informed employer contribution rate increases to 23% from September 2019. The age discrimination case around transitional protection (McCloud/ Sargeant) has caused work on the valuation to be paused pending a decision on remedies.

The other pension schemes are both defined contribution schemes. The scheme currently available to staff on Heriot-Watt Services Limited contracts of employment is the Heriot- Watt Services Limited defined contribution pension scheme. The University has implemented arrangements to meet the UK statutory requirement for employers to automatically enrol certain workers who are not already pension scheme members into a qualifying pension scheme. In addition to the existing pension schemes, staff can opt to join the National Employment Savings Trust (NEST).

Details of the accounting policies are set out on Pages 42-46 and further disclosures are set out in note 26.

ENVIRONMENTAL SUSTAINABILITY

Our prominence in research and teaching in diverse areas of sustainability including clean energy transition, sustainable logistics, industrial decarbonisation, sustainable building design and plastics in the environment positions us strongly as enablers of change with broad reach and global impact. Global environmental sustainability is one of the key strategic measures of our organisational strategy. During 2020 we are more fully defining our forward commitments and strategic measures under the University's new Global Environmental Sustainability Group. As a charity we are not a campaigning organisation but we will adopt a highly ambitious approach to ensure we help our whole community and partners to understand how they can best effect change in an equitable manner that respects human rights and is based on scientific evidence. Currently there is very poor understanding of how individuals and communities can best effect change. We intend to address this gap working closely within the remit of the United Nations Sustainable Development Goals (UN SDGs). We will work with others to accelerate transition to minimise carbon impacts in the industrial, construction and energy sectors and to preserve critical diversities in plant, marine and material landscape. In our own operations we are continuing to organise our day-to-day operations with the objective of minimising our impact on the environment and strive to be pioneering in demonstrating practical applications of our research and innovation through our operations.

Monitoring under the Carbon Management Plan for the Scotland Campuses indicates that the 15% carbon reduction target for 2019/20 was exceeded a year early, with 2018/19 data showing a 19% reduction against 2014/15 baseline. Carbon reduction projects spanning water, waste, energy use and travel contributed to the reduction, but it was significantly assisted by the rapid greening of the UK electricity grid which has occurred in recent years. The University is currently developing a Climate Action Plan which will reflect the global need for substantially enhanced climate change action. For the first time, the plan will establish an emission baseline across the University's global operations before defining challenging and robust decarbonisation targets in support of global, national and regional objectives.

The University's carbon emissions in 2019/20, in common with those of many organisations, have been significantly reduced via the response to Covid-19, as a result for example of the avoidance of business travel and temporary closure of buildings. Achieving a green recovery is a key objective for our own estate and operations and reflects the University's broader role in sustainable recovery, as summarised within our Recovery Prospectus. From the development of a net-zero centred Global Research Institute to the facilitation of a Recovery Enlightenment Series (the Hutton Series on Climate Change), the University's recovery commitments and planning are focussed on attaining lasting sustainable outcomes

PAYMENT OF SUPPLIERS

Unless special terms are agreed, it is Group policy to pay valid invoices at the end of the month following the month in which the invoice is dated. At 31 July 2020 there were 24 days (2019: 21 days) of purchases in trade creditors. No interest was paid under the terms of the Late Payment of Commercial Debts (Interest) Act 1998.

MINORITY INVESTMENTS

As at 31 July 2020 the Group held 19 minority investments in a range of different companies (2019: 20).

The largest single minority investment relates to the University's shares held in CVCP Properties, a company wholly owned by Universities UK and those universities who are members of Universities UK. The company holds the freehold of Woburn House, providing leased office accommodation and conference space to Universities UK and a number of other HE related tenants.

In addition, for a number of years the Group has had a policy for the commercialisation of its research base, in some cases through the creation of 'spin-out' companies, in which it retains a minority investment. As at 31 July 2020 there were 18 investments in a range of different companies.

All of these minority investments are stated at cost.

Financial Review

FINANCIAL STRATEGY

Strategy 2025 launched in 2018/19 places an emphasis on renewed income growth, with a goal to grow income from the current £228m to £350m pa by 2025/26. There has been a reduction in income in 2019/20 as the University took on board the effects of Covid-19 on accommodation and research income. The University Executive has recentlyre-affirmed the target to 2025/26. Early progress towards achieving the target is associated with focussed student recruitment and demand-led changes to the portfolio of taught programmes at undergraduate and postgraduate levels. A number of business improvement initiatives have been initiated, designed to drive efficiency and effectiveness. The expansion of the Heriot-Watt Online and development of Foundation provision are priorities for driving income.

Research Grant Income too, is planned to grow, from its current £28.7m to £65m by 2025/26. This will be fuelled by a major expansion in our capacity and reputation through the creation of up to six Global Research Institutes which build on areas of existing excellence and our aim to become internationally leading. Working with funders, businesses and other leading research organisations, we will co-create research propositions that place us at the forefront of intellectual discovery, connected with our international research communities across our locations and with our network of leading research partners.

Strategy 2025 sets a target for operating surplus greater than 4%.

Our ambition for continued growth recognises the need for a physical environment that is capable of accommodating the growth in student numbers that we have planned for; of providing the quality of research environment that is consistent with our ambitions for research growth and intensification; and meeting the expectations and needs of students and staff going forward. That investment has been funded, in large part, through long-term private debt funding arrangement by way of a private placement with three UK and US institutional investors. During 2019/20 the University increased the level of long-term private debt funding with the same investors by £15m and $19m. In total the University's exposure is £127m and $19m of long-term funding with maturities between 2027 and 2046. The Court has committed to making arrangements to service the Private Placement Debt through the establishment of a Loan Servicing Fund, designed to accumulate a proportion of the required repayments as they fall due.

Investment in the University's estate and infrastructure continues, although with movement restrictions during 2019/20 due to Covid-19, this has been delayed. Over recent years we have seen major developments in the University's infrastructure. This included the opening of the Malaysia Campus in 2014; the opening of Oriam, Scotland's National Performance Centre for Sport in 2016; and the Lyell Centre focusing on earth and marine science and technology in 2018. We also delivered new 'Learning Commons' spaces, providing a variety and choice of supported learning and study facilities. We have also seen the start of a series of improvements and refurbishment of a range of learning and teaching spaces across the Edinburgh campus, including the first significant inroads into the development of laboratory facilities to support our research growth and to accommodate Global Platform appointments, notably in the School of Engineering and Physical Sciences. New student residential accommodation has been developed in Edinburgh and Galashiels; part of a rolling programme of refurbishment of existing student residences. We have also continued to invest in the University's cores information systems.

2019/20 saw the completion and opening of the 'GRID': a pioneering innovation building, integrating twenty-first century learning and teaching spaces, research laboratories and workspaces, innovation and enterprise space, all developed around the latest models for 'open space collaboration' and utilising the latest digital technology to accelerate innovation and foster the co-creation of ideas. There has been further work on the rolling-refurbishment project for the Library to transform it into a modern, flexible and comfortable learning environment, with over 1,000 study spaces, a variety of collaborative study spaces, double the number of accessible study rooms and improved layout of library stock.

Our current three-year financial plan has been cautious regarding spending on capital whilst the University emerges from the restrictions brought by Covid-19. The plan will be re-assessed as part of the planning round for 2021/22 and beyond. The cornerstone of the plan will be delivering Strategy 2025.

During the year, we progressed planning to move to a new location and premises in Dubai. The new campus will open in 2021.

Investment in Digital Strategy is an underpinning thread to delivering Strategy 2025. During the year, work has continued on the development of a new ERP solution with HR functionality followed by the Finance offering expected to be delivered later in 2021. The University is also investing in a new Virtual Learning Environment designed to provide student and staff with a better user experience. Work is on programme to deliver over the summer ahead of the first semester of 2021/22.

There are inevitable risks associated with the execution of any capital investment, especially when at scale. We will continue to ensure that appropriate project management, resource and financial planning will be directed to ensure that projects can be delivered within overall pre-agreed programmes. More critical is likely to be the delivery against a strategy that expects strong income growth and generation of surplus, which, in turn, are subject to risks associated with the success in international activity and on broader risks around government funding, student fees and research concentration as highlighted on page 17 as well as the uncertainty the higher education sector is facing due to Covid-19. Having secured the additional private placement funding during the year, the University is positioned to deliver the infrastructure necessary to support the achievement of Strategy 2025.

SCOPE OF THE FINANCIAL STATEMENTS

The financial statements for the year-ended 31 July 2020, which have been approved by the Court, comprise the consolidated results of the University and its subsidiary undertakings, together the 'Group'. These accounts have been prepared in accordance with the Statement of Recommended Practice (SORP): Accounting for Further and Higher Education (2019 edition); and in accordance with Financial Reporting Standards (FRS 102).

FINANCIAL PERFORMANCE

Results for the year

The Group reported a surplus, before other gains and losses, of £8.2m. After other net losses, the reported surplus for the year was £6.5m. After tax credits and recognition of the unrealised actuarial loss on Lothian Pension Fund, total comprehensive income for the year is reported as a deficit of £18.5m.

Income

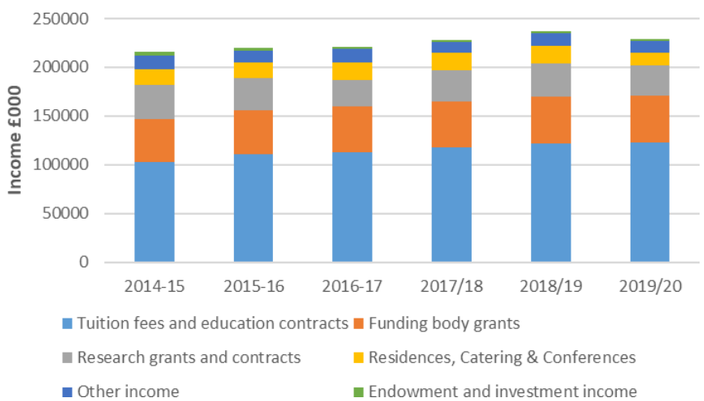
In 2019/20, the Group experienced a decline in total income of 2.9%, with total income decreasing by £9.4m to £230.7m (2019 restated: £240.1m). The decline is largely attributable to the impact of the Covid-19 pandemic on residences, catering and conferences income and research grant income.

Continued growth in on-campus student numbers and associated tuition fees, saw that category of income grow marginally by £0.8m over the year to £124.3m (2019: £123.5m).

Although there was a small amount of growth in student numbers on Scottish campuses fee income fell by £0.5m: a reduction in income from Home/EU students and students attending Heriot-Watt from England, Wales and Northern Ireland being offset by fee income from international students which grew.

Dubai saw a £0.7m increase in income in line with a small increase in student numbers. At our Malaysian Campus, the growth in fee income in the year was £1.2m, reflecting the 5.2% growth in student numbers, associated, in large part, with larger cohorts.

	2018/19	Change	2019/20
Scottish Campuses			
Undergraduates	7,383	1.8%	7,516
Taught Postgraduates	1,445	5.5%	1,524
Research Postgraduates	1,021	-2.0%	1,001
	9,849	1.9%	10,041
Dubai Campus			
Undergraduates / foundation	2,127	-1.0%	2,106
Taught Postgraduates	1,456	2.8%	1,497
Research Postgraduates	25	36.0%	34
	3,608	0.8%	3,637
Malaysia Campus			
Undergraduates / foundation	1,996	4.9%	2,093
Taught Postgraduates	226	8.0%	244
Research Postgraduates	-		1
	2,222	5.2%	2,338
Total on-campus	15,679	2.1%	16,016
Independent Distance Learners and Students at Approved Learning Partners			
Undergraduates	614	-24.9%	461
Taught Postgraduates	11,203	-6.9%	10,432
Research Postgraduates	343	14.9%	394
	12,160	-7.2%	11,287
GRAND Total	27,839	-1.9%	27,303



There was a net reduction in student numbers associated with Independent Distance Learning and Approved Learning Partners whilst the online delivered MBA product offering underwent a refresh. Launched at the end of the year sales volumes have started to exceed those seen in 2019/20.

Funding body grants have remained overall static year on year £47.3m (2019 restated: £48.1m).

This year saw a decrease in research grant and contract income to £28.8m (2019 restated: £33.6m), reflecting the impact of the Covid-19 pandemic on research grants income, as well as the volatility related to FRS 102's income recognition requirements for contracts that lack performance conditions.

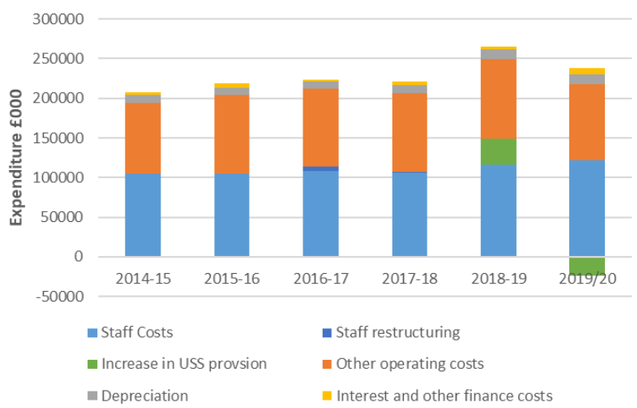
Other income has decreased by £4.8m, mainly due to a fall in residences, catering and conferences and other commercial income of £4.5m and £1.2m respectively. The decline in other icome reflects the impact of the Covid-19 pandemic in the final quarter of the financial year with the students being allowed to break their accommodation leases early to travel home, the loss of income from summer schools and the cancellation of exams on the distance learning offering due to the closure of exam centres.

Expenditure

At £123m (2019: £116.4m), total staff costs, excluding any restructuring costs and movement in the USS pension provision, increased by £6.6m (5.6%). The underlying salary costs of £95.7m (2019: £90.4m) represented an increase of 5.8% on the previous year; reflecting staff numbers growth associated with growth in our research and income generation activities and the continued growth of our overseas operations; as well as salary increases associated with both natural incremental salary growth and a base pay award of 2% with additional increases of up to 2.7% for lower grades.

The University's contributions to various pension schemes increased to £16.7m (2019: £14.4m), the 16.0% rise reflects the increase in pensionable staff pay.

Other operating expenses have decreased by £2.2m, mainly due to decreases of £3.4m in academic departments and £2.1m in research grants and contracts and an increase of £3.2m in premises.



FINANCIAL POSITION

During 2020/21 the University appointed a new Global Chief Financial Officer and External Auditors. These appointments have lead to a full review of the balance sheet which has identified a number of issues related to the implementation and setup in 2012 of the current version of the accounting system. This further prompted a review of a number of the processes and procedures that have been operating over a number of years. Further investigation identified unreconciled migrated balances and a system setup error, which has led to erroneous and incorrect calculations in respect of revaluation of foreign currency balances. The External Auditor has identified further weaknesses in internal controls which have been discussed and accepted by management. The outcome of these reviews, and the work of the External Auditor, has led to changes in the control environment.
We are in the process of implementing an upgrade of the finance system due to go live at the beginning of August 2021 coupled with a restructuring of the global finance function. Correcting for the financial consequences relating to the identified issues has led to significant movements between balance sheet accounts and, therefore, there are a number of restated balances for the prior years. Details are provided in Note 32.

Net assets

At the end of the year, the Group had total net assets of £30.2m (2019 restated: £48.6m), a decrease of £18.4m on the previous year.

The £1m net increase in intangible and tangible fixed assets to £232.7m (2019: £231.7m) reflects capital development during the current year, which saw work begin on a new Enterprise Resource Planning tool integrating the University systems more efficiently, various building upgrade works to increase student comfort and University experience, and new specialist equipment to enhance research and student learning.

Investment assets decreased to £30.1m (2019: £32.0m) reflecting a small change in fair value and a small amount of disinvestment.

A net decrease of £9.2m in trade and other receivables to £36.2m (2019 restated: £45.4m) is due to the write-off of aged debt relating to corrections in respect of prior years (as explained in note 32).

Creditors due within one year increased by £2.8m to £82.7 m (2019 restated: £79.9m). This reflects a £4.9m increase in accruals and deferred income, an increase in trade creditors of £1.3m and a £6m decrease in grants received in advance for research, each predominantly arising from corrections in respect of prior years, as explained in note 32. In addition, there was an increase of £2.5m in amounts due for other taxation and social security, mainly arising from an accrual for VAT.

Creditors falling due after more than one year have increased by £33.1m to £219.9m (2019 restated : £186.8m). During the year the University established additional long-term debt funding through a private placement with three UK and US institutional investors. The net proceeds of the £29.5m investment are being utilised to contribute to the funding of the new Dubai campus development. A further £1.7m has been received in loans from the Scottish Funding Council's Universities Carbon Reduction Fund offset in part by £0.6m in repayments. There has also been an increase of £0.8m in deferred capital grants during the year.

Measuring long-term borrowings as a percentage of income gives an indication of the level of borrowings relative to the size of the institution and gives an indication of both the institution's exploitation of its potential to support development and the risks associated with servicing repayments and interest on such debt. Having raised £112m by way of a private placement during 2016/17, and a further £29.5m in 2019/20, Heriot-Watt's borrowings now represent 61.8% (2019: 48.9%) of the University's total income. Borrowing at that level is likely to place Heriot-Watt in the top quartile of most highly geared UK institutions. The University has committed to this borrowing solely to raise capital that will supplement internally generated surpluses and endowment funds for the development of its estate in the UK and its operations in Dubai. It has done this to generate capacity in its teaching and learning environment that will accommodate its planned growth in on-campus and distance learning student numbers; and to create the facilities required to continue to grow and intensify its research, and only to do so where there is a demonstrable return on capital investment.

The £5.5m increase in pension provisions to £75.7m (2019: £70.1m) reflects a £22.7m decrease in our year-end assessment of the University's long-term obligation to fund its share of the USS recovery plan; and an actuarially assessed £28.3m increase in the year-end net liability in relation to the Lothian Pension Fund. The latest valuation of the USS scheme, with a reference date of 31 March 2018, revealed a reduction in the shortfall of assets when measured against the Scheme's technical provisions. With this improved funding position a new deficit recovery plan was agreed, which has resulted in the above mentioned decrease in the provision of £22.7m released through the Statement of Comprehensive Income for the year ended 31 July 2020. The March 2020 valuation exercise is on-going and has not been finalised and therefore the effects on the pension provision is unknown. The rule 76.1 valuation issued by USS points to potential scheme deficits ranging between £14.9bn to £17.9bn with associated total contributions between 42.1% and 56.2%. We are currently engaging with UUK on their consultation and the levels of proposed contribution.

RESERVES

The Group's reserves fell by £18.4m to £30.2m (2019 restated: £48.6m) during the year.

Disaggregating that movement:

- Endowment reserves remained the same at £10.5m (note 19)
- Restricted reserves fell by £1.7m to £8.1m (2019 restated: £9.8m) during the year (note 20). That fall was attributable to expenditure of £3.0m (£2.1m research due to FRS 102 adjustments, £0.9m donations), offset by £1.3m of new philanthropic donations and a £0.1m increase in the market value of invested donations.
- The Revaluation Reserve has remained the same at £2.9m.
- Unrestricted reserves fell by £17.1m to £8.7m (2019 restated: £25.8m) during the year. The fall was mainly attributable to an actuarial loss in the amount of £25m arising from the valuation of the Lothian Pension Fund valuation. This was offset by a £4.8m surplus arising from income and expenditure and a transfer from restricted reserves in the amount of £3.3m.

CASH FLOW

Cash and cash equivalents are £109.4m as at 31 July 2020, an increase of £32.9m compared to the previous year (2019 restated: £76.5m). This represents 48% (2019: 32%) of total income, or net liquidity of 175 days (2019: 117 days).

The main contributor to the increase of £32.9m in cash and cash equivalents is funds in the amount of £29.5m received from a bond issue in October 2019 to fund work on the Dubai campus and which remain unspent as at 31 July 2020. Net cash inflow from operating activities was £22.1m in the year to 31 July 2020. Servicing of debt and disposals of investments resulted in a net cash outflow amounting to £5.3m. Total payments to acquire fixed assets and intangible assets amounted to £13.3m and £2.4m respectively with additional investing activity providing a cash inflow of £0.2m

Independent auditor's report to the Court of Heriot-Watt University

Opinion

We have audited the financial statements of Heriot-Watt University ('the parent institution') and its subsidiaries (the 'group') for the year ended 31 July 2020 which comprise the Consolidated Statement of Comprehensive Income and Expenditure, Consolidated and University Statement of Changes in Reserve, Consolidated and University Balance Sheet, Consolidated and University Statement of Cash Flows and the related notes 1 to 32, 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 affairs as at 31 July 2020, and of the Group's and parent institution's income and expenditure, gains and losses and changes in reserves and of the Group's cash flows 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.

Emphasis of matter – Effects of Covid-19

We draw attention to the Statement of Accounting Policies (Note 20) on page 49 of the financial statements, which describes the valuation uncertainty the University is facing as a result of COVID-19 in relation to property valuations relating to assets held by the University and Lothian Pension Fund. Our opinion is not modified in respect of these matters.

Conclusions relating to going concern

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

- the University Court's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the University Court have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the 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 1-37, 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.

Responsibilities of the University Court

As explained more fully in the Statement of the University Court's Responsibilities set out on pages 26-27, 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 Heriot-Watt University, 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 Heriot-Watt University 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
Edinburgh
Date: 29th April 2021

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

Consolidated and Institution Statement of Comprehensive Income and Expenditure for the year ended 31 July 2020

	Note	Consolidated 2020 £000	Consolidated 2019 Restated* £000	Institution 2020 £000	Institution 2019 Restated* £000
Income					
Tuition fees and education contracts	1, 32	**124,300**	123,537	**109,760**	100,460
Funding body grants	2, 32	**47,292**	48,104	**47,069**	48,104
Research grants and contracts	3, 32	**28,758**	33,582	**28,554**	33,503
Other income	4, 32	**27,619**	32,433	**25,046**	27,025
Investment income	5	**1,290**	1,357	**1,616**	1,388
Endowments and donations	6	**1,431**	1,091	**1,127**	850
Donation from EBS	6	**-**	-	**-**	10,273
		230,690	240,104	**213,172**	221,603
Expenditure					
Staff costs	7, 32	**123,025**	116,362	**115,264**	102,652
Restructuring costs	7	**361**	46	**361**	3
(Decrease)/increase in USS Pension Provision	18, 26	**(23,467)**	32,613	**(23,467)**	32,613
Other operating expenses	9, 32	**101,717**	103,946	**92,332**	89,386
Depreciation, Amortisation & Impairment	11,12	**13,839**	12,415	**12,380**	10,293
Interest payable and other finance costs	8, 32	**7,001**	4,851	**5,852**	5,071
		222,476	270,233	**202,722**	240,018
Surplus/(Deficit) before other gains and losses		**8,214**	(30,129)	**10,450**	(18,415)
Gains/losses on disposal of fixed assets		**2**	(2)	**-**	-
Loss on investment property		**(1,100)**	(150)	**(1,100)**	(150)
(Loss)/gain on investments		**(625)**	996	**(625)**	990
Loss on research projects		**-**	(43)	**-**	(43)
Surplus/(Deficit) before tax		**6,491**	(29,328)	**8,725**	(17,618)
Taxation	10	**52**	49	**-**	107
Surplus/(Deficit) for the year		**6,543**	(29,279)	**8,725**	(17,511)
Other Comprehensive Income					
Unrealised gains/(losses) on restatement of overseas entities		**156**	331	**(809)**	1,049
Actuarial loss in respect of pension schemes	18, 26	**(25,146)**	(6,976)	**(25,146)**	(6,604)
Total comprehensive expenditure for the year		**(18,447)**	(35,924)	**(17,230)**	(23,066)
Represented by:					
Endowment comprehensive income for the year		**65**	(971)	**65**	866
Restricted comprehensive income for the year		**(1,689)**	(1,799)	**(1,717)**	(1,649)
Unrestricted comprehensive income for the year		**(16,978)**	(33,155)	**(14,775)**	(23,670)
Translation reserve comprehensive income for the year		**155**	95	**(809)**	1,387
Revaluation reserve comprehensive income for the year		**-**	(94)	6	-
		(18,447)	(35,924)	**(17,230)**	(23,066)

* Restated as explained in Note 32

All items of income and expenditure relate to continuing activities.

The accounting policies on pages 44-50 and the notes on pages 51-77 form an integral part of these financial statements.

Statement of Changes in Reserves for the year ended 31 July 2020

	Income and Expenditure reserve: Endowment £000	Restricted £000	Unrestricted Restated* £000	Translation Reserve Restated* £000	Revaluation Reserve £000	Total Restated* £000
Consolidated						
Balance at 1 August 2018	11,431	9,489	60,996	(402)	3,058	84,572
(Deficit)/surplus from income and expenditure statement	(545)	962	(29,696)	-	-	(29,279)
Other comprehensive income	-	-	(6,645)	-	-	(6,645)
Transfers between revaluation and unrestricted reserve	-	-	94	-	(94)	-
Transfers between restricted and unrestricted reserve	-	(3,188)	3,188	-	-	-
Transfers between endowment and restricted reserve	(427)	427	-	-	-	-
Prior year adjustment – Note 32	-	2,126	(2,219)	94	-	1
Balance at 1 August 2019	10,459	9,816	25,718	(308)	2,964	48,649
Surplus from income and expenditure statement	349	1,367	4,827	-	-	**6,543**
Other comprehensive income	-	-	(24,990)	-	-	**(24,990)**
Transfers between revaluation and unrestricted reserve	-	-	(155)	155	-	**-**
Transfers between restricted and unrestricted reserve	-	(3,340)	3,340	-	-	**-**
Transfers between endowment and restricted reserve	(284)	284	-	-	-	**-**
Total comprehensive income for the year	65	(1,689)	(16,978)	155	-	**(18,447)**
Balance at 31 July 2020	**10,524**	**8,127**	**8,740**	**(153)**	**2,964**	**30,202**
Institution						
Balance at 1 August 2018	9,593	9,342	62,010	(402)	2,875	83,418
Surplus from income and expenditure statement	1,221	811	(19,543)	-	-	(17,511)
Other comprehensive income	-	-	(5,555)	-	-	(5,555)
Transfers between restricted and unrestricted reserve	-	(2,818)	2,818	-	-	-
Transfers between endowment and restricted reserve	(355)	355	-	-	-	-
Prior year adjustment – Note 32	-	2,126	(3,513)	1,387	-	-
Balance at 1 August 2019	10,459	9,816	36,217	985	2,875	60,352
Surplus from income and expenditure statement	349	1,064	7,312	-	-	**8,725**
Other comprehensive income	-	-	(25,955)	-	-	**(25,955)**
Transfers between revaluation and unrestricted reserve	-	-	809	(809)	-	**-**
Transfers between restricted and unrestricted reserve	-	(3,065)	3,065	-	-	**-**
Transfers between endowment and restricted reserve	(284)	284	-	-	-	**-**
Total comprehensive income for the year	65	(1,717)	(14,769)	(809)	-	**(17,230)**
Balance at 31 July 2020	**10,524**	**8,099**	**21,448**	**176**	**2,875**	**43,122**

* Restated as explained in Note 32

The accounting policies on pages 44-50 and the notes on pages 51-77 form an integral part of these financial statements

Consolidated and Institution Balance Sheet for the year ended 31 July 2020

	Note	Consolidated 2020 £000	Consolidated 2019 Restated* £000	Institution 2020 £000	Institution 2019 Restated* £000
Net current assets					
Intangible assets and goodwill	11	**3,351**	1,171	**3,351**	1,171
Tangible fixed assets	12	**229,348**	230,487	**193,260**	192,839
Investments	13	**30,132**	32,010	**35,734**	37,997
		262,831	263,668	**232,345**	232,007
Current Assets					
Stock	14	**2**	2	-	-
Trade and other receivables**	15	**36,234**	45,373	**59,560**	67,718
Cash and cash equivalents	21	**109,423**	76,523	**99,635**	67,651
		145,659	121,898	**159,195**	135,369
Less Creditors: amounts falling due within one year	16	**83,824**	80,626	**82,586**	78,529
Net current assets		**61,835**	41,272	**76,609**	56,840
Total assets less current liabilities		**324,666**	304,940	**308,954**	288,847
Creditors: amounts falling due after more than one year	17	**218,801**	186,168	**190,169**	158,372
Provisions					
Pension provisions	18	**75,663**	70,123	**75,663**	70,123
Total net assets		**30,202**	48,649	**43,122**	60,352
Restricted reserves					
Income and expenditure – endowment reserve	19	**10,524**	10,459	**10,524**	10,459
Income and expenditure – restricted reserve	20	**8,127**	9,816	**8,099**	9,816
Unrestricted reserves					
Income and expenditure - unrestricted		**8,740**	25,718	**21,448**	36,217
Translation reserve		**(153)**	(308)	**176**	985
Revaluation reserve		**2,964**	2,964	**2,875**	2,875
Total reserves		**30,202**	48,649	**43,122**	60,352

* Restated as explained in Note 32
** Trade and other receivables include amounts receivable within and after more than one year, as detailed in note 15.

The accounting policies on pages 44-50 and the notes on pages 51-77 form an integral part of these financial statements, which were approved by the University Court on 26 April 2021 and signed on its behalf by:

Professor Richard A. Williams
Principal and Vice-Chancellor

26 April 2021

Grant Innes
Chair of Court

26 April 2021

Andrew Jefferson
Global Chief Financial Officer

26 April 2021

Consolidated Statement of Cash Flows for the year ended 31 July 2020

	Note	Consolidated 2020 £000	Consolidated 2019 Restated* £000
Cash flow from operating activities			
Surplus/(loss) for the year before taxation		**6,491**	**(29,328)**
Adjustment for non-cash items			
Depreciation and impairment of tangible fixed assets	12	**13,606**	12,415
Amortisation and impairment of intangible fixed assets	11	**233**	-
Loss/(gain) on restatement of tangible fixed assets in overseas entities	12	**349**	(205)
Decrease/(increase) in fixed asset investments	13	**576**	(960)
Decrease in current asset investments		**638**	-
Decrease in stock		**-**	2
Decrease in debtors	15	**9,139**	3,197
Increase in creditors within one year	16	**3,198**	1,775
Increase/(decrease) in creditors after one year	17	**32,633**	(724)
Increase in provisions	18	**5,540**	44,116
Gain on investment land revaluation	13	**1,100**	150
Actuarial loss in respect of pension schemes	18	**(25,146)**	(6,976)
Increase in cumulative translation of overseas operations		**155**	331
Adjustment for investing or financing activities			
Interest receivable	5	**(1,290)**	(1,357)
Net return on pension assets	26	**1,241**	679
Interest payable	8	**4,219**	3,594
Gain on disposal of tangible fixed assets	12	**-**	2
Net amounts drawn down		**(31,167)**	(1,723)
Repayments of amounts borrowed		**472**	-
Cash inflow from operating activities		**21,987**	24,988
Taxation	10	**52**	48
Net cash flow from operating activities		**22,039**	25,036
Cash flows from investing activities			
Payments to acquire fixed assets	12	**(13,216)**	(25,274)
Payments to acquire fixed asset investments	13	**-**	(2,291)
Payments to acquire intangible assets and goodwill	11	**(2,413)**	(1,165)
Proceeds from sale of fixed assets and investments	13,12	**-**	(2)
Interest receivable	5	**1,290**	1,357
Disposal of fixed assets	12	**400**	-
Disposals of fixed asset investments	13	**201**	4,047
Net return on pension assets	26	**(1,241)**	(679)
		(14,979)	(24,007)
Cash flows from financing activities			
Interest payable	8	**(4,219)**	(3,594)
Disposal of current asset investments		**(637)**	-
Net amounts drawn down		**31,168**	1,723
Repayments of amounts borrowed		**(472)**	-
		25,840	(1,871)
Increase/(decrease) in cash and cash equivalents in the year		**32,900**	(842)
Cash and cash equivalents at beginning of the year		**76,523**	77,365
Cash and cash equivalents at end of the year		**109,423**	76,523

* Restated as explained in Note 32

The accounting policies on pages 44-50 and the notes on pages 51-77 form an integral part of these financial statement.

Statement of accounting policies

1. Basis of preparation

These financial statements have been prepared on a going concern basis under the historical cost convention as modified by the revaluation of fixed assets and financial instruments; in accordance with the Statement of Recommended Practice (SORP): Accounting for Further and Higher Education (2019 edition); and in accordance with Financial Reporting Standards (FRS 102). The University is a public benefit entity and therefore has applied the relevant public benefit requirement of FRS 102. The financial statements also conform to guidance published by the Scottish Funding Council.

The University's activities and the factors likely to affect its future development, performance and position are set out in the Strategic Review on pages 8 to 15. Its financial performance for the year to 31 July 2020 is described in the Financial Review on pages 32 to 37; and the income and expenditure, assets, liquidity and cash flows are set out in more detail in the Financial Statements on pages 40 to 43 and in the notes to the Financial Statements on pages 51 to 77.

The uncertainty as to the current and future impact on the financial performance and cashflows of the University, as a result of the Covid-19 pandemic, has been considered as part of the University's assessment and adoption of the going concern basis in these financial statements and in developing a financially sustainable financial plan. Covid-19 implications have consequences across the University's range of activities; the most significant impacts are those arising from teaching and the ability and willingness of students to travel to Scotland for the purposes of Higher Education and therefore the impact on accommodation revenue. The potential impact of volatility on student numbers was a significant factor in producing the University financial plan. These financial statements have been prepared on a going concern basis which senior management and University Court believe to be appropriate for the following reasons:

The University is well-established and well-known for its excellence in teaching and research. As such the demand for learning at the University remains strong, as evidenced in the student cohort for 2020/21, even during the pandemic. The University's adoption of responsive blended learning dual-mode delivery teaching model, with lectures delivered online and in person, gives students the opportunity to learn on campus or remotely, mitigating the risk of Covid-19 to the continuity of its teaching activity. As the University moved into 2020/21, demand levels from students at our three geographical locations has proven to be extremely strong, with similar strength for the January 2021 intake. A reset budget was prepared in December 2020, which reflects the significant improvement in financial projections. There remains an element of uncertainty and volatility, relating to the pandemic, for the September 2021 student numbers, particularly as a result of a trend across the sector for overseas students to delay applications.

At 31 July 2020 the University held net assets of £29.3 million including a high level of cash and cash equivalents and investments, totalling £109.4 million at 31 July 2020 and £99.6 million at 28 February 2021.

A financial plan for 2020/21 through to 2022/23 is in place which takes into consideration the voluntary redundancy programme launched August 2020 and the anticipated impact of Covid-19, recognising the significant impact it has had on the University's income and required savings, as well as the impact of the increase in USS pension contribution rates to 34.7% in October 2021.

As a result of strategic investment the University holds private placement borrowings amounting to £146.7 million in unsecured loans. The unsecured debt is subject to financial covenants as set out in note 17. As at 31 July 2020 all financial covenants were met. The University forecasts that it will continue to operate within the terms of its available committed private placement loans, meeting all financial covenants throughout the going concern period. During the going concern period and based on actual knowledge and all reasonable assumptions, there is no plausible scenario in which the covenants will be breached.

The University carefully monitors the impact of Covid-19 on its financial position regularly. Senior management have considered various scenarios in assessing the impact of Covid-19 on future financial performance and cashflows. The ability to deliver teaching and assessment through responsive blended learning mitigates risk in this respect against any further government enforced restrictions. Risks remain regarding the number of students who will remain in residential accommodation throughout any period of additional restrictions. The University has working policies established from the initial outbreak of Covid-19 ensuring the safe wellbeing of students whilst in residential accommodation.

In testing the robustness of the University's financial position, cashflow projections have been prepared to support management's assessment of going concern throughout the period to 31 July 2022. In the most severe modelled scenario, the University is forecast to continue to operate within its available committed facilities, meeting all financial covenants, with forecast headroom on cash of no lower than £77 million throughout the going concern period to July 2022. Risks around further USS contributions, over and above those provided in the forecast, are under consideration as part of the 2020 valuation. The outcome remains uncertain as to timing or effect on contributions but a provision has been included within the forecast for potential increases in October 2021. The increases included in the USS rule 76.1 valuation would have a more significant impact for the periods beyond the going concern review period.

Further mitigation is available to be initiated by management depending on the scale of any severe and unforecast downside position, primarily through managing discretionary spend, together with restricting non-essential and non-committed capital expenditure in the next 12 months, such as the delay of capital projects.

Based on the above analysis it remains wholly appropriate to prepare the consolidated financial statements on a going concern basis. With current forecasts and projections that show it to be well placed to manage its activities successfully having taken account of risk and uncertainty, the University Court considers that the University has adequate resources to continue in operation for the foreseeable future and for this reason, it continues to adopt the going concern basis of accounting in preparing the annual financial statements.

The financial statements are prepared in sterling and rounded to the nearest thousand pounds.

2. Basis of consolidation

The consolidated financial statements include the University and all of its subsidiaries for the financial year to 31 July 2020. The results of subsidiaries acquired or disposed of during the period are included in the consolidated statement of income and expenditure from the date of acquisition or up to the date of disposal. Intra-group transactions are eliminated on consolidation.

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. Balances between the Institution and its associates and joint ventures are not eliminated. Normal trading transactions that are not settled by the balance sheet date are included as current assets or liabilities. Any gains or losses are included in the carrying amount of assets of either entity, the part relating to the Institution's share is eliminated.

The consolidated financial statements do not include the income and expenditure of the Student Union, as the University does not exert control or dominant influence over policy decisions.

3. Income recognition

Tuition fees and education contracts

Fee income is stated gross of any expenditure and credited to the Consolidated Statement of Income and Comprehensive Expenditure over the period in which students are studying. Where the amount of the tuition fee is reduced, by a discount for prompt payment, income receivable is shown net of the discount. Bursaries and scholarships are accounted for gross as expenditure and not deducted from income. Education contracts are recognised when the Institution is entitled to the income, which is period in which students are studying, relevant, when performance conditions have been met.

Funding body grants

Recurrent grants from Funding Bodies are credited to income in the period in which they are receivable.

Government revenue grants including funding council teaching, research and other grants are recognised in income over the periods in which the University recognises the related costs for which the grant is intended to compensate. Where part of a government grant is deferred, it is recognised as deferred income within creditors and allocated between creditors due within one year and due after more than one year as appropriate.

Capital grants from Funding Bodies are recognised in income over the expected useful life of the asset.

Research grants and contracts

Research revenue income from government sources are recognised in income over the periods in which the University recognises the related costs for which the grant is intended to compensate. Where part of such a grant is deferred, it is recognised as deferred income within creditors and allocated between creditors due within one year and due after more than one year as appropriate. Research capital grants from government sources are recognised in income over the expected useful life of the asset.

Research revenue income from other sources are recognised when they are receivable and when performance conditions have been met. Income received in advance of performance conditions being met is included in creditors as deferred income. Where there are no performance conditions, income is recognised when it is receivable. Research capital grants from other sources are recognised in income when the University is entitled to the funds subject to any performance related conditions being met.

Other income

Income from the sale of goods and services is credited to income when the goods or services are supplied to the external customers against the orders received or the terms of the contract have been satisfied.

Investment income

Investment income is credited to income on a receivable basis.

Donations and endowments

Non-exchange transactions without performance related conditions are donations and endowments.

Donations with no restrictions are recognised in the financial statements when the donation has been received.

Where a donor has specified that a donation must be used for a particular objective it is classified as a restricted donation and is recognised in income when the University is entitled to the funds. Income is retained within the restricted reserve until such time that it is utilised in line with the restrictions, at which time it is released to general reserves.

Where donations are to be retained to the benefit of the University beyond the current year for purposes specified by the donors, other than the purchase or construction of tangible fixed assets, they are considered to be endowments. They are recognised as income when the University is entitled to the funds. Income is retained in the endowment reserve until such time that it is utilised in line with the terms of the endowment, at which time it is released to general reserves.

Where the University has the power to use the capital portion of an endowment it is categorised as an expendable endowment; where the donor has specified

that the fund is to be permanently invested to generate an income stream to be applied to a particular objective it is categorised as a permanent endowment.

Investment income and appreciation of endowments is recorded in income in the year in which it arises and as either restricted or unrestricted income according to the terms or other restrictions applied to the individual endowment fund.

Amounts received as agent

Funds the University receives and disburses as paying agent on behalf of a Funding Body are excluded from the income and expenditure of the University where the University is exposed to minimal risk or enjoys minimal economic benefit related to the transaction.

4. Accounting for retirement benefits

All new members of staff have the option of joining a pension scheme.

The schemes currently available to new members of staff on Heriot-Watt contracts of employment are the Universities Superannuation Scheme (USS) and the Lothian Pension Fund (LPF). Existing employees are entitled to maintain their membership of the Scottish Teachers Superannuation Scheme (STSS).

Up to 31 July 2019, the date on which Heriot-Watt and Edinburgh Business School effected their business combination, the scheme available to new members of staff on Edinburgh Business School contracts of employment was the Universities Superannuation Scheme (USS). Existing employees were entitled to maintain their membership of the Lothian Pension Fund (LPF). Following the business combination, all staff have assumed Heriot-Watt conditions of employment, but those members of staff who under Heriot-Watt conditions of service would be ineligible for USS membership, retain their right to maintain such membership.

The Group has implemented arrangements to meet the UK statutory requirement for employers to automatically enrol certain workers who are not already pension scheme members into a qualifying pension scheme. In addition to the existing pension schemes, both the University and Edinburgh Business School allow staff to opt to join the National Employment Savings Trust (NEST).

Staff on Heriot-Watt Services Ltd contracts of employment are entitled to contribute to a defined contribution scheme.

None of the Group's other subsidiary undertakings operates any other pension schemes.

The accounting policies relating to each of the schemes are:

USS

The institution participates in Universities Superannuation Scheme. The scheme is 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 assets are not attributed 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. As required by Section 28 of FRS 102 'Employee benefits', the institution therefore accounts for the scheme as if it were a wholly defined contribution scheme. As a result, the amount charged to the profit and loss account represents the contributions payable to the scheme. Since the institution has entered into an agreement (the Recovery Plan) that determines how each employer within the scheme will fund the overall deficit, the institution recognises a liability for the contributions payable that arise from the agreement (to the extent that they relate to the deficit) and therefore an equivalent expense is recognised.

LPF

The LPF is a pension scheme providing benefits based on final pensionable pay. The assets and liabilities of the scheme are held separately from those of Heriot-Watt University. Pension scheme assets are measured using market values. Pension scheme liabilities are measured using a projected unit method and discounted at the current rate of return on a high-quality corporate bond of equivalent term and currency to the liability. The institution has established a provision to recognise the net value of those assets and liabilities.

Contributions to the Scheme are calculated so as to spread the cost of pensions over employees' working lives with the University. The Contributions are determined by an actuary based on triennial valuations using the Age Attained Method. Variations from regular cost are spread over the expected average remaining working lifetime of members of the schemes, after making allowances for future withdrawals. The amount charged to the statement of financial activities represents the service cost expected to arise from employee service in the current year.

The value of the University's share of assets in the Lothian Pension Fund is subject to estimation uncertainty, which has increased in 2019/20 as a result of the outbreak of Covid-19. As a result, Lothian Pension Fund has disclosed a material uncertainty around the valuation of its property assets held at 31 March 2020 (approximately 7% of the total fund assets). This uncertainty means that less certainty, and a higher degree of caution, is attached to the valuation of the Fund's investment property assets than would normally be the case and that the valuation of these assets is kept under more frequent review. The inclusion of the material valuation uncertainty does not mean that the valuation cannot be relied on, but rather to be clear and transparent with all parties that less certainty is attached to the stated valuations.

STSS

Heriot-Watt University participates in the Scottish Teachers' Superannuation Scheme, an unfunded multi-employer defined benefit statutory public service pension scheme with benefits underwritten by the UK Government. Because of the nature of the scheme, the University is unable to identify its share of the underlying assets and liabilities on a consistent and reasonable basis and therefore, as required by FRS 102, the University accounts for the scheme as if it were a defined contribution scheme. As a result, the amount charged to the Statement of Comprehensive Income and Expenditure is equal to the total of contributions payable by the employer in the year.

National Employment Savings Trust (NEST)

The scheme is a defined contribution scheme into which both the employer and the employee make a contribution. The cost charged to the statement of comprehensive Income and Expenditure is equal to the total of contributions payable by the employer in the year.

Heriot-Watt Services Limited defined contribution pension scheme

Employees of Heriot-Watt Services can join that company's defined contribution pension scheme, into which both the employer and the employee make a contribution. Being a defined contribution scheme, the cost charged to the statement of comprehensive Income and Expenditure is equal to the total of contributions payable by the employer in the year.

5. Employment benefits

Short-term employment benefits such as salaries and compensated absences are recognised as an expense in the year in which the employees render service to the University. Any unused benefits, such as holiday entitlements earned but not taken at the balance sheet date, are accrued and measured as the additional amount the University expects to pay as a result of the unused entitlement.

6. Finance leases

Leases in which the University assumes substantially all the risks and rewards of ownership of the leased asset are classified as finance leases. Leased assets acquired by way of finance lease and the corresponding lease liabilities are initially recognised at an amount equal to the lower of their fair value and the present value of the minimum lease payments at inception of the lease.

Minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

7. Operating leases

Costs in respect of operating leases are charged on a straight-line basis over the lease term. Any lease premiums or incentives are spread over the minimum lease term.

8. Foreign currency

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated to the functional currency at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in the income statement. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are retranslated to the functional currency at foreign exchange rates ruling at the dates the fair value was determined.

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on consolidation, are translated to the Group's presentational currency, Sterling, at foreign exchange rates ruling at the balance sheet date. The revenues and expenses of foreign operations are translated at an average rate for the period where this rate approximates to the foreign exchange rates ruling at the dates of the transactions. Exchange differences arising from this translation of foreign operations are reported as an item of other comprehensive income.

9. Intangible assets

Intangible assets are amortised over their estimated remaining economic lives as follows:

Software:	3-10 years
Intellectual property:	5-7 years

Intangible assets are subject to periodic impairment reviews as appropriate.

10. Fixed assets

Fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses. Certain items of fixed assets that had been revalued to fair value on or prior to the date of transition to FRS 102, are measured based on deemed cost, being the revalued amount at the date of that revaluation.

No depreciation is charged on assets in the course of construction.

Where parts of a fixed asset have different useful lives, they are accounted for as separate items of fixed assets.

Land

On adoption of FRS 102 the Group adopted the transitional provisions to measure land at fair value on the date of transition, and to use that fair value as its deemed cost. Land held at 31 July 2014 is shown in the balance sheet at the valuation on that date; land acquired after 31 July 2014 is shown at cost.

Costs incurred in relation to land after initial purchase and prior to valuation are capitalised to the extent that they increase the expected future benefits to the University.

Land is not depreciated as it is considered to have an indefinite useful life.

Buildings

With the exception of Panmure House, buildings are included in the balance sheet at cost and are depreciated on a straight-line basis over their expected useful lives as follows:

External fabric:	50 years
Internal fabric:	35 years
Mechanical & Engineering:	20 years

Costs incurred in relation to buildings after initial purchase or construction are capitalised to the extent that they increase the expected future benefits to the University.

Panmure House is considered to have historical value and has been included in the balance sheet at depreciated replacement cost (see accounting policy 20 for further

details). It will be depreciated on a straight-line basis as above.

Plant and Equipment

Equipment, including computers and software, costing less than £20,000 is recognised as expenditure, except where such expenditure relates to a project. Projects create assets and may include items of expenditure less than £20,000 that, when accumulated, exceed the £20,000 threshold in order for the asset to be operational. All other equipment is capitalised.

Capitalised equipment is stated at cost and depreciated over its expected useful life as follows:

Equipment acquired for	
Specific research projects:	3-5 years
Administrative IT systems:	7 years
Other equipment:	5 years
Plant:	15 years

Depreciation methods, useful lives and residual values are reviewed at the date of preparation of each Balance Sheet.

Borrowing costs

Borrowing costs are recognised as expenditure in the period in which they are incurred.

11. Heritage assets

Works of art and other valuable artefacts are capitalised and recognised at the cost or value of the acquisition, where such a cost or valuation is reasonably obtainable. The assets held by the University are held at nil value, as cost and valuation are not readily obtainable.

12. Investment properties

Investment property is land and buildings held for rental income or capital appreciation rather than for use in delivering services. Investment properties are measured initially at cost and subsequently at fair value with movements recognised in the income statement. Properties are not depreciated but are revalued or reviewed annually according to market conditions as at 31 July each year.

13. Investments

Non-current asset investments are held on the Balance Sheet at amortised cost less impairment.

Investments in subsidiaries are carried at cost in the University's accounts.

Current asset investments are held at fair value with movements recognised in the Surplus or Deficit for the year.

14. Stock

Stock is stated at the lower of the cost and net realisable value. Where necessary, provision is made for obsolete, slow-moving and defective stock.

15. Cash and cash equivalents

Cash includes cash in hand, cash at bank, deposits repayable on demand. Deposits are repayable on demand if they are in practice available within 24 hours without penalty.

Cash equivalents are short term, highly liquid investments that are readily convertible to known amounts of cash or repayable within 3 months with insignificant risk of change in value. They can include term deposits at banks or investments in gilts.

16. Provisions, contingent liabilities and contingent assets

Provisions are recognised in the financial statements when:

a. the University has a present obligation (legal or constructive) as a result of a past event;
b. it is probable that an outflow of economic benefits will be required to settle the obligation; and
c. a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is determined by discounting the expected future cash flows at a pre-tax rate that reflects risks specific to the liability.

A contingent liability arises from a past event that gives the University a possible obligation whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the University. Contingent liabilities also arise in circumstances where a provision would otherwise be made but either it is not probable that an outflow of resources will be required or the amount of the obligation cannot be measured reliably.

A contingent asset arises where an event has taken place that gives the University a possible asset whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the University.

Contingent assets and liabilities are not recognised in the Balance Sheet but are disclosed, where they arise, in the notes to the accounts.

17. Taxation

The University is an exempt Charity within the meaning of the Charities and Trustee Investment (Scotland) Act 2005 and, as such, is a charity within the meaning of Section 506 (1) of the Income and Corporation Taxes Act 1988. The University is recognised as a charity by HM Revenue & Customs and is recorded on the index of charities maintained by the Office of Scottish Charity Regulator. It is therefore a charity within the meaning of Para 1 of schedule 6 to the Finance Act 2010 and accordingly, the University is potentially exempt from taxation in respect of income or capital gains received within categories covered by section 478-488 of the Corporation Tax Act 2010 (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.

Neither the University nor its subsidiaries receive any exemption in respect of Value Added Tax. Irrecoverable VAT on inputs is included in the costs of such inputs. Any irrecoverable VAT allocated to fixed assets is included in their cost.

The University's subsidiaries are not exempt from taxation. The subsidiaries, other than Heriot-Watt Malaysia Sdn BhD, pay to the University, under the Gift Aid scheme, amounts as agreed by the directors of each subsidiary company. The charge for taxation is based on the taxable profit or loss for the year after the cost of any Gift Aid payment payable to the University.

18. Reserves

Reserves are classified as restricted or unrestricted. Restricted endowment reserves include balances that, through endowment to the University, are held as a permanently restricted fund, which the University must hold in perpetuity.

Other restricted reserves include balances where the donor has designated a specific purpose and therefore the University is restricted in the use of these funds.

19. Prior Year adjustment

Where material omissions from, and misstatements in, the University's financial statements for one or more prior periods have been identified these will be corrected, the prior year accounts will be restated and appropriate disclosure will be made.

20. Key sources of estimation, uncertainty and critical judgements in applying accounting policies

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the balance sheet date and the amounts reported for revenues and expenses during the year. The estimates and associated assumptions are based on historical experience and other factors that are considered relevant. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Key sources of estimation uncertainty:

- **Fixed Assets**

Fixed assets, other than investment properties, are depreciated over their useful lives taking into account residual value, where appropriate. The actual lives of assets and any residual value are assessed annually and may vary depending on a number of factors. In reassessing asset lives, factors such as technological innovation and maintenance programmes are taken into account.

- **Investment property**

Investment properties are revalued according to market conditions as at 31 July each year. That valuation is informed by an externally sourced, professional property valuation.

- **Impairment of debtors**

The University makes an estimate for the recoverable value of trade and other debtors. When assessing impairment of trade and other debtors, management considers factors including the ageing profile of debtors and historical experience of collection success.

- **Provision for the USS Deficit Recovery plan**

The Group has made a provision in the financial statements, related to the contractual obligation to fund the past USS deficit. The costs of the USS deficit recovery plan have been estimated based on a model devised by the USS and the British Universities Finance Directors Group. The model uses the additional costs included in the deficit recovery plan, adjusts according to management judgement of estimated changes in staffing levels and pay increases, and is discounted based on corporate bond levels having a maturity of a similar length to the recovery plan.

Traditionally, the scheme actuary has reviewed the funding of the USS every year and undertakes a formal actuarial valuation every three years, at which time the deficit recovery plan may be amended. These accounts reflect the triennial valuation, as at 31 March 2017. Since the balance sheet date, a further valuation, as at March 2018 has been completed. The more recent valuation indicates a reduction in the scheme's funding shortfall, with agreement of a new deficit recovery plan; and a consequential decrease in the provision for the obligation to fund the deficit on the USS pension, an adjustment that has been reflected in the University's Financial Statements for the year ended 31 July 2020. The flux in the value of that provision highlights the degree of uncertainty that prevails over the adequacy, at any point in time, of the provision in these accounts to recognise a liability for the contributions that arise from the agreement to meet the future obligations to fund the scheme to the extent that they relate to the deficit. Recognising that, the financial impact of that uncertainty is quantified in the sensitivity analysis of the principal assumptions used to construct the provision, included in note 18.

- **Defined benefit pension**

The Group has obligations to pay pension benefits to certain employees and to reflect the net funding position of the Lothian Pension Fund and of certain unfunded legacy pension arrangements. The cost of these benefits and the present value of the obligation depend on a number of factors, including; life expectancy, salary increases, asset valuations and the discount rate on corporate bonds 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 evaluation, the underlying assumptions and the long-term nature of these plans, such estimates are subject to significant uncertainty. Recognising that, the financial impact of that uncertainty is quantified in the sensitivity analysis of the principal assumptions used to measure the scheme liabilities included in note 26b.

Critical accounting judgements in applying the accounting policies:

- **Pension Schemes**

FRS 102 makes the distinction between a group plan and a multi-employer scheme. A group plan consists of a collection of entities under common control typically with a sponsoring employer. A multi-employer scheme is a scheme for entities not under common control and represents (typically) an industry-wide scheme such as Universities Superannuation Scheme. The accounting for a multi-employer scheme where the employer has entered into an agreement with the scheme that determines how the employer will fund a deficit results in the recognition of a liability for the contributions payable that arise from the agreement (to the extent that they relate to the deficit) and the resulting expense in profit or loss in accordance with section 28 of FRS 102. The University is satisfied that the Universities Superannuation Scheme meets the definition of a multi-employer scheme and has therefore recognised the discounted fair value of the contractual contributions under the funding plan in existence at the date of approving the financial statements.

- **Management judgement in relation to the carrying of debtors/creditors**

Management have reviewed a past contract with a partner organisation on which there remain outstanding balances. In the balance sheet, debtor and creditor balances are netted off

to reflect that should the partner fail to settle the net debt owing to the University, the University would not be liable for the creditor balance, and that a provision has been made for the net exposure.

- **Valuation of Panmure House**

Panmure House, the final home of the economist Adam Smith, was transferred from Edinburgh Business School to Heriot-Watt University as part of the business combination. It was valued during 2018/19 by an external valuer who adopted the Operational Asset (Specialised) basis of valuation, making a valuation on an existing use value, determined on a depreciated replacement cost basis. It is recognised that the value of Panmure House is significantly impacted by its history which, whilst not directly related to its current use, is an important consideration of the selection of this property for use as an educational asset. The University is satisfied that the historic nature of the building is an intrinsic part of its value to the University and therefore has been correctly reflected in the value included in the accounts.

- **Valuation of Land and Property: Investment Property**

Consideration has been given to the effects of the COVID-19 pandemic on the University's property assets and their associated values. The COVID-19 outbreak is a global pandemic that has affected all parts of the global community. It is a fast-changing, fluid situation, with government recommendations and requirements being reviewed and updated on an ongoing basis. Many business sectors have been forced to close as part of government restrictions to reduce the spread of the virus, and the full effects of the virus on property markets and the wider economy are yet to be fully understood, assessed or quantified. Currently, there is insufficient empirical data available to make an informed and evidence-based decision on whether or not there has been a significant impact on asset valuations. Occupancy levels, rental figures, land values and BCIS costs and indices will all require to be monitored and reviewed going forward to assess the full impact of the COVID-19 outbreak on asset valuations. In light of the foregoing, it is considered appropriate to include the following RCIS-approved "Material Valuation Uncertainty" statement.

- **Material Valuation Uncertainty Statement**

The outbreak of the Novel Coronavirus (COVID-19), declared by the World Health Organisation as a "Global Pandemic" on the 11th March 2020, has impacted global financial markets. Travel restrictions have been implemented by many countries. Market activity is being impacted in many sectors. As at the valuation date, in terms of the non-residential accommodation, the University considers that it can attach less weight to previous market evidence for comparison purposes, to inform opinions of value. Indeed, the current response to COVID-19 means that the University is faced with an unprecedented set of circumstances on which to base a judgement. The external valuers engaged to value investment property and Panmure House, CBRE, have therefore indicated that their valuations, upon which management has relied, are reported as being subject to 'material valuation uncertainty' as set out in VPS 3 and VPGA 10 of the RICS Valuation – Global Standards. Consequently, less certainty – and a higher degree of caution – should be attached to the valuations than would normally be the case. Given the unknown future impact that COVID-19 might have on the real estate market, the valuation of these properties will be kept under frequent review.

For the avoidance of doubt, the inclusion of the 'material valuation uncertainty' declaration above does not mean that the valuation cannot be relied upon. Rather, the declaration has been included to ensure transparency of the fact that – in the current extraordinary circumstances – less certainty can be attached to the valuation than would otherwise be the case. The material uncertainty clause is to serve as a precaution and does not invalidate the valuation. The University holds a material share of LPF pension fund's assets, including property assets, which had a material uncertainty attached to them by the pension fund's valuer. As referred to on page 46, the inclusion of this material uncertainty does not mean the valuation cannot be relied upon.

Notes to the accounts

1. Tuition fees and education contracts

	Consolidated		Institution	
	2020	2019 Restated*	**2020**	2019 Restated*
	£000	£000	**£000**	£000
Home and EU Students	**13,655**	13,716	**14,083**	13,760
Rest of UK Students	**11,368**	13,341	**11,571**	13,418
International Students	**86,598**	80,643	**71,547**	66,952
Higher education contracts	**1,978**	8,493	**1,978**	1,677
Research training support grants	**3,041**	3,789	**3,031**	3,766
Short course fees	**5,641**	318	**5,537**	210
Examination and graduation fees	**2,019**	3,237	**2,013**	677
	124,300	123,537	**109,760**	100,460

* Restated as explained in Note 32

2. Funding body grants

	Consolidated		Institution	
	2020	2019 Restated*	**2020**	2019 Restated*
	£000	£000	**£000**	£000
SFC teaching grants	**26,041**	26,284	**26,041**	26,284
SFC research and knowledge exchange grants	**16,669**	17,459	**16,669**	17,459
Release of deferred capital grants	**2,731**	2,524	**2,731**	2,524
Other grants	**1,851**	1,837	**1,628**	1,837
	47,292	48,104	**47,069**	48,104

* Restated as explained in Note 32

3. Research grants and contracts

	Consolidated		Institution	
	2020	2019 Restated*	**2020**	2019 Restated*
	£000	£000	**£000**	£000
Research councils	**13,957**	15,644	**13,957**	15,644
Charities	**1,870**	1,610	**1,870**	1,610
UK Government	**1,251**	2,165	**1,251**	2,165
UK Industry	**2,487**	2,984	**2,487**	2,984
EU Commission	**4,805**	5,977	**4,805**	5,977
EU other	**1,650**	1,001	**1,650**	1,001
Other overseas	**1,169**	2,607	**1,169**	2,607
Other sources	**1,569**	1,594	**1,365**	1,515
	28,758	33,582	**28,554**	33,503

* Restated as explained in Note 32

4. Other income

	Consolidated		Institution	
	2020	2019	**2020**	2019
	£000	Restated* £000	**£000**	Restated* £000
Residences, catering and conferences	**13,230**	17,693	**13,093**	17,052
Income from governments and other funding bodies**	**2,774**	957	**2,773**	781
Release of deferred capital grants	**1,560**	1,687	**805**	932
Other commercial income	**4,264**	5,514	**2,953**	3,096
Sports and exercise	**2,113**	2,911	**-**	-
Other income, including foreign currency gains	**3,678**	3,671	**5,422**	5,164
	27,619	32,433	**25,046**	27,025

* Restated as explained in Note 32
** Included within income from governments and other funding bodies is £1,128,000 received by the University under the Coronavirus Job Retention Scheme

5. Investment income

	Consolidated		Institution	
	2020	2019	**2020**	2019
	£000	£000	**£000**	£000
Investment income on endowments	**340**	362	**340**	292
Investment income on restricted reserves	**41**	43	**41**	43
Other investment income	**909**	952	**1,235**	1,053
	1,290	1,357	**1,616**	1,388

6. Endowments and donations

	Consolidated		Institution	
	2020	2019	**2020**	2019
	£000	£000	**£000**	£000
New endowments	**11**	121	**11**	121
Donations with restrictions	**1,315**	812	**1,011**	661
Unrestricted donations	**105**	158	**105**	10,341*
	1,431	1,091	**1,127**	11,123

*Includes a donation from EBS of £10,273,000

7. Staff costs

	Consolidated		Institution	
	2020	2019	**2020**	2019
	£000	Restated* £000	**£000**	Restated* £000
Salaries	**95,707**	90,358	**88,802**	77,835
Social security costs	**8,038**	7,744	**7,834**	7,164
Employer's pension contributions (note 26):				
USS	**12,647**	10,539	**12,647**	10,539
LPF	**3,292**	3,220	**3,292**	3,220
Other	**721**	650	**69**	43
Movement in LPF and other pension provisions (note 18):				
Increase in LPF pension deficit	**2,648**	3,869	**2,648**	3,869
Decrease in other pension provisions	**(28)**	(18)	**(28)**	(18)
Total staff costs before staff restructuring costs and movement in USS pension provision	**123,025**	116,362	**115,264**	102,652
Staff restructuring costs	**361**	46	**361**	3
(Decrease)/increase in USS provision (note 18)	**(23,467)**	32,613	**(23,467)**	32,613
Total staff costs	**99,919**	149,021	**92,158**	135,268
Analysed between staff working in:				
Academic schools	**84,495**	82,265	**80,521**	72,098
Administrative and central service functions	**30,277**	26,254	**26,650**	22,900
Premises functions	**3,966**	3,577	**3,851**	3,462
Residences and catering	**4,287**	4,266	**4,242**	4,192
Total staff costs before staff restructuring costs and movement in USS pension provision	**123,025**	116,362	**115,264**	102,652

* Restated as explained in Note 32

The average number of persons employed in those areas, expressed as full-time equivalents, was:

	Consolidated		Institution	
	2020	2019	**2020**	2019
	Number	Number	**Number**	Number
Academic schools	**1,356**	1,358	**1,220**	1,126
Administrative and central service functions	**739**	545	**643**	402
Premises functions	**75**	143	**68**	135
Residences and catering	**163**	106	**160**	102
Total staff numbers	**2,333**	2,152	**2,091**	1,765

EMOLUMENTS OF PRINCIPAL AND VICE-CHANCELLOR

	Consolidated & Institution	
	2020	2019
	£000	£000
Professor Richard A Williams		
Salary	**281**	276
Benefits	**29**	27
Pension contributions to USS*	**6**	6
	316	309

*The pension contributions in respect of the Universities Superannuation Scheme (USS) are paid at the same rate as for other employees.

For the period 4th September to 1st November 2019, the Vice Principal Julian Jones was designated as the University's Accountable Officer due to the Principal having a period of medical leave. He received an acting up allowance of £13,000.

KEY MANAGEMENT PERSONNEL

	Consolidated & Institution	
	2020	2019
	£000	£000
Aggregate key management personnel compensation, including salary, benefits and employers' pension contributions	**792**	683

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the University. Staff costs include compensation paid to key management personnel. Heriot-Watt University defines its key management personnel as being the Principal and Vice-Chancellor, the Vice-Principal and Deputy Vice-Chancellor and the Secretary of the University.

COMPENSATION FOR LOSS OF OFFICE

The aggregate compensation for loss of office of staff whose earnings were more than £100,000 per annum was:

	Consolidated & Institution	
	2020	2019
Aggregate compensation paid (£000)	**177**	-
Number of payments	**4**	-

Severance arrangements for senior staff are overseen by the University's remuneration committee and all compensation is paid in line with the severance guidance approved by the University Court and complies with SFC requirements.

PAY MULTIPLES

The University is required to disclose the relationship between the remuneration of the highest-paid officer in the organisation and the median remuneration of the organisation's workforce:

	Consolidated & Institution	
	2020	2019
	£000	£000
Highest paid officer's remuneration (Principal and Vice-Chancellor)	281	276
Median total remuneration	34	38
Ratio	8:1	7:1

Remuneration includes salary and bonuses. The movement from 7:1 to 8:1 is primarily due to a change in staff profile, which has driven a reduction in the median.

REMUNERATION OF HIGHER PAID STAFF, excluding pension contributions

	2020 Number		2019 Number	
	Key management personnel	Other staff	Key management personnel	Other staff
Consolidated				
£100,001 - £110,000	-	**17**	-	26
£110,001 - £120,000	-	**16**	-	5
£120,001 - £130,000	-	**4**	-	9
£130,001 - £140,000	-	**3**	1	3
£140,001 - £150,000	-	**4**	-	4
£150,001 - £160,000	-	**4**	-	1
£160,001 - £170,000	-	-	-	1
£170,001 - £180,000	-	**2**	1	2
£180,001 - £190,000	**1**	-	-	-
£190,001 - £200,000	-	**1**	-	-
£200,001 - £210,000	-	-	-	1
£220,001- £230,000	**1**	**2**	-	-
£300,001 - £310,000	-	-	1	-
£310,001 - £320,000	**1**	-	-	-
	3	**53**	3	52
University				
£100,001 - £110,000	-	**17**	-	25
£110,001 - £120,000	-	**15**	-	5
£120,001 - £130,000	-	**4**	-	8
£130,001 - £140,000	-	**2**	1	3
£140,001 - £150,000	-	**4**	-	4
£150,001 - £160,000	-	**4**	-	1
£170,001 - £180,000	-	**2**	1	2
£180,001 - £190,000	**1**	-	-	-
£190,001 - £200,000	-	**1**	-	-
£220,001 - £230,000	**1**	**2**	-	1
£310,001 - £320,000	**1**	-	1	-
	3	**51**	3	49

MEMBERS OF THE UNIVERSITY COURT AND ITS COMMITTEES

Members of the University Court are the trustees for charitable law purposes. The membership of the Court and its committees is laid out on pages 20-23 of these financial statements. No Court member, nor any co-opted member of a Court Committee, received any remuneration nor waived any payments in respect of their membership of the University Court or of its committees during the year (2019: nil).

8. Interest payable and other finance costs

	Consolidated		Institution	
	2020	2019 Restated*	**2020**	2019 Restated*
	£000	£000	**£000**	£000
Loan interest	**4,180**	3,565	**4,186**	3,580
Net charge on pension assets	**1,241**	679	**1,241**	645
Investment management charges	**39**	30	**39**	-
Exchange differences**	**1,541**	577	**386**	846
	7,001	4,851	**5,852**	5,071

* Restated as explained in Note 32

** Exchange differences were previously included in 'Analysis of operating expenses by activity'

9. Analysis of operating expenses by activity

	Consolidated		Institution	
	2020	2019 Restated*	**2020**	2019 Restated*
	£000	£000	**£000**	£000
Academic departments	**12,352**	15,796	**12,224**	9,286
Academic services	**11,031**	10,639	**10,696**	10,170
Administration and central services*	**47,693**	46,510	**42,389**	39,617
Premises	**19,146**	15,967	**15,979**	15,615
Residences, catering and conferences	**2,963**	4,421	**2,597**	4,071
Research grants and contracts	**8,532**	10,613	**8,447**	10,627
	101,717	103,946	**92,332**	89,386
Other operating expenses include:				
External auditor's remuneration – audit**	**215**	93	**161**	52
External auditor's remuneration – non-audit services***	**166**	56	**159**	49
Internal auditor's remuneration	**89**	97	**89**	97
Operating lease rentals				
- Land & Buildings	**1,583**	(680)	**572**	527
- Other	**399**	343	**156**	173

*Restated as explained in Note 32
** The increase in the audit fee reflects the change in work due to known control issues highlighted prior to the commencement of the audit. The final account has yet to be drawn up and agreed with management. Any additional costs will be recorded in 2020/21 accounts.
*** External auditor's remuneration – non-audit services relate to payments to the previous auditor, KPMG. No non-audit services have been provided by the current external auditor.

10. Taxation

	Consolidated	
	2020	2019
	£000	£000
UK Corporation tax at 19% (2019: 19%)	**(52)**	(49)

11. Intangible fixed assets

Consolidated and Institution	Assets in the course of construction	Online Course Content	Total
	£000	£000	£000
Cost or valuation			
At 1 August 2019	1,171	-	1,171
Additions	2,413	-	2,413
Transfer from Under Construction	(1,912)	1,912	-
At 31 July 2020	**1,672**	**1,912**	**3,584**
Amortisation			
At 1 August 2019	-	-	-
Charge for year	-	233	233
At 31 July 2020	**-**	**233**	**233**
Net Book Value			
At 31 July 2020	**1,672**	**1,679**	**3,351**
At 1 August 2019	1,171	-	1,171

Intangible assets comprise the development costs of new online course content for the MBA and PG Cert in research Methods Programme. The asset has been amortised over 5 years on a straight line basis in line with expected use and in tranches corresponding to staged release of the programme with all tranches completing amortisation within financial year 2024-2025. Amortisation for the year is shown within "Depreciation, Amortisation & Impairment" in the Statement of Comprehensive Income and Expenditure.

12. Tangible fixed assets

Consolidated	Land and Buildings	Panmure House	Equipment	Assets in the course of construction	Total
	£000	£000	£000	£000	£000
Cost or valuation					
At 1 August 2019 (restated)	310,092	5,200	69,003	6,759	**391,054**
Additions	42	-	1,068	12,106	**13,216**
Transfers	5,627	-	2,552	(8,179)	**-**
Foreign exchange movement	(293)	-	(378)	(1)	**(672)**
Disposals	(400)	-	(14)	-	**(414)**
At 31 July 2020	**315,068**	**5,200**	**72,231**	**10,685**	**403, 184**
Depreciation					
At 1 August 2019 (restated)	104,723	-	55,844	-	**160,567**
Charge for year	8,079	136	4,027	-	**12,242**
Impairment	-	1,364	-	-	**1,364**
Foreign exchange movement	(63)	-	(260)	-	**(323)**
Disposals	-	-	(14)	-	**(14)**
At 31 July 2020	**112,739**	**1,500**	**59,597**	**-**	**173,836**
Net Book Value					
At 31 July 2020	**202,329**	**3,700**	**12,634**	**10,685**	**229,348**
At 1 August 2019 (restated)	**205,369**	**5,200**	**13,159**	**6,759**	**230,487**

Institution					
Cost or valuation					
At 1 August 2019 (restated)	263,835	5,200	64,239	6,495	**339,769**
Additions	-	-	952	12,018	**12,970**
Transfers	5,584	-	2,479	(8,063)	**-**
Disposals	(400)	-			**(400)**
At 31 July 2020	**269,019**	**5,200**	**67,670**	**10,450**	**352,339**
Depreciation					
At 1 August 2019	94,950	-	51,980	-	**146,930**
Charge for year	6,985	136	3,664	-	**10,785**
Impairment	-	1,364	-	-	**1,364**
At 31 July 2020	**103,435**	**1,500**	**55,644**	**-**	**159,079**
Net Book Value					
At 31 July 2020	**167,084**	**3,700**	**12,026**	**10,450**	**193,260**
At 1 August 2019 (restated)	168,885	5,200	12,259	6,495	192,839

The land and buildings of Heriot-Watt Services Ltd are subject to a first standard security in respect of the grants received from Sportscotland.

Included in cost for the Group is £10,685,000 (2019 restated: £6,759,000) relating to assets in the course of construction, of which £8,071,000 (2019 restated: £2,413,000) relates to freehold land and buildings and £2,614,000 of related equipment (2019 restated: £4,346,000).

At 31 July 2020 land and buildings for the group included £4,686,000 (2019 restated, £4,686,000) in respect of freehold land which is not depreciated. The restated value as at 01 August 2019 corrects amounts included in prior years, classed incorrectly as non-depreciating land and buildings.

13. Non-current investments

	Consolidated		Institution	
	2020 £000	2019 £000	**2020 £000**	2019 £000
Investment in subsidiaries (a)	**-**	-	**5,602**	5,987
Investment properties (b)	**11,000**	12,100	**11,000**	12,100
Other investments (c)	**19,132**	19,910	**19,132**	19,910
	30,132	32,010	**35,734**	37,997

	Institution	
	2020 £000	2019 £000
(a) Investment in subsidiaries		
As at 1 August 2019	**5,988**	5,753
Fair Value adjustments	**(386)**	234
As at 31 July 2020	**5,602**	5,987

	Consolidated		Institution	
	2020 £000	2019 £000	**2020 £000**	2019 £000
(b) investment properties				
As at 1 August 2019	**12,100**	12,250	**12,100**	12,250
Impairment	**(1,100)**	(150)	**(1,100)**	(150)
As at 31 July 2020	**11,000**	12,100	**11,000**	12,100

(c) Other investments	Consolidated 2020 £000	Consolidated 2019 £000	Institution 2020 £000	Institution 2019 £000
As at 1 August 2019	**19,910**	20,706	**19,910**	9,809
Additions	**-**	2,291	**-**	490
Transfers	**-**	-	**-**	8,903
Disposals	**(202)**	(4,047)	**(202)**	(210)
Fair Value adjustments	**(576)**	960	**(576)**	918
As at 31 July 2020	**19,132**	19,910	**19,132**	19,910

The University investment in subsidiary companies is stated at cost.

Minority investments in unquoted companies are stated at cost and include investments made by the group in spinout companies.

14. Stock

	Consolidated 2020 £000	Consolidated 2019 £000	Institution 2020 £000	Institution 2019 £000
General consumables	**2**	2	**-**	-

15. Trade and other receivables

	Consolidated 2020 £000	Consolidated 2019 Restated* £000	Institution 2020 £000	Institution 2019 Restated* £000
Amounts falling due within one year:				
Research grants receivables	**4,581**	14,509	**4,475**	14,438
Trade receivables	**21,486**	16,719	**21,535**	16,248
Trade debt provision	**(3,784)**	(1,301)	**(3,732)**	(1,259)
Prepayments and accrued income	**12,594**	13,814	**11,455**	12,308
Amounts due from group undertakings	**-**	-	**11,661**	11,542
	34,877	43,741	**45,394**	53,277
Amounts falling due after more than one year:				
Loans by parent undertakings	**-**	-	**12,809**	12,809
Prepayments and accrued income	**1,357**	1,632	**1,357**	1,632
	1,357	1,632	**14,166**	14,441
	36,234	45,373	**59,560**	67,718

*Restated as explained in Note 32

Research grants receivable represent only accrued research income. Included in prepayments and accrued income is £1,357,000 (2019: £1,632,000) due after more than one year, which constitutes deemed consideration received by Heriot-Watt University from Borders College for the sale of its Galashiels site to the College in return for 17.5 years rent-free occupation of part of the site, commencing from the 1 February 2009, this being the practical completion date for the redevelopment of the site.

16. Creditors: amounts falling due within one year

	Consolidated 2020 £000	Consolidated 2019 Restated* £000	Institution 2020 £000	Institution 2019 Restated* £000
Unsecured loans	**1,160**	733	**1,160**	733
Grants in advance for research	**21,505**	27,544	**21,340**	27,456
Other grants in advance	**70**	246	**70**	246
Other creditors	**328**	53	**328**	53
Trade creditors	**5,410**	4,066	**4,419**	2,943
Other taxation and social security	**6,525**	4,032	**5,908**	4,200
Accruals and deferred income	**48,826**	43,952	**46,335**	40,318
Amounts owed to subsidiary undertakings	**-**	-	**3,026**	2,580
	83,824	80,626	**82,586**	78,529

*Restated as explained in Note 32

17. Creditors: amounts falling due after more than one year

	Consolidated 2020 £000	Consolidated 2019 Restated* £000	Institution 2020 £000	Institution 2019 Restated* £000
Unsecured loans	**145,715**	115,695	**145,715**	115,695
Deferred income	**71,494**	70,473	**44,454**	42,677
Other creditors	**1,592**	-	**-**	-
	218,801	186,168	**190,169**	158,372
Analysis of unsecured loans:				
Due within one year or on demand	**1,160**	733	**1,160**	733
Due between one and two years	**745**	497	**745**	497
Due between two and five years	**2,719**	1,987	**2,719**	1,987
Due in five years or more	**142,251**	113,211	**142,251**	113,211
	146,875	116,428	**146,875**	116,248

*Restated as explained in Note 32

Unsecured loans outstanding at 31 July 2020 were as follows:

Lender	Amount £000	Repayable	Interest rate %	Borrower
Legal & General Assurance Society Ltd	30,000	2031	2.9	University
Massachusetts Mutual Life Insurance Co.	30,000	2036	3.22	University
Great West Life & Annuity Insurance Co.	10,000	2036	3.22	University
Great West Life & Annuity Insurance Co.	17,000	2041	3.31	University
Pension Protection Fund	25,000	2046	3.31	University
Legal & General Assurance Society Ltd	15,000	2027	2.14	University
Massachusetts Mutual Life Insurance Co. (USD loan)	3,589	2027	2.99	University
NY Trust (Barings) (USD loan)	3,284	2027	2.99	University
Great West Life & Annuity Insurance Co. (USD loan)	7,636	2029	3.08	University
Scottish Funding Council Salix loans	15	2022	-	University
Scottish Funding Council Salix loans	1,819	2025	-	University
Scottish Funding Council Salix loans	1,793	2029	0.25	University
Scottish Funding Council Salix loan	1,339	2041	0.25	University
Scottish Funding Council Salix loan	400	Revolving	-	University
	146,875			

18. Provisions for liabilities

	Pension Provisions			
	Obligation to fund USS deficit[1] £000	Lothian pension fund deficit[2] £000	Unfunded pension benefits[3] £000	**Total £000**
Consolidated				
At 1 August 2019	48,882	20,929	312	**70,123**
Utilised in year	(12,647)	(3,292)	(28)	**(15,967)**
Additions	(10,048)	31,555	-	**21,507**
At 31 July 2020	**26,187**	**49,192**	**284**	**75,663**
Analysis of net movement in provision				
Charged to staff costs (note 7)	(23,467)	2,648	(28)	**(20,847)**
Net charge on pension assets (note 8)	772	469	-	**1,241**
Actuarial loss on pension schemes	-	25,146	-	**25,146**
Total movement	**(22,695)**	**28,263**	**(28)**	**5,540**
Institution				
At 1 August 2019	48,882	20,929	312	**70,123**
Utilised in year	(12,647)	(3,292)	(28)	**(15,967)**
Additions	(10,048)	31,555	-	**21,507**
At 31 July 2020	**26,187**	**49,192**	**284**	**75,663**
Analysis of net movement in provision				
Charged to staff costs (note 7)	(23,467)	2,648	(28)	**(20,847)**
Net return on pension assets (note 8)	772	469	-	**1,241**
Actuarial loss on pension schemes	-	25,146	-	**25,146**
Total movement	**(22,695)**	**28,263**	**(28)**	**5,540**

[1]The obligation to fund the past deficit on the Universities Superannuation Scheme (USS) arises from the contractual obligation with the USS to fund deficit payments in accordance with the deficit recovery plan. In calculating this provision, management have estimated future staff levels within the USS scheme for the duration of the contractual obligation and salary inflation. The adoption of a new deficit recovery plan following the 2017 actuarial valuation gave rise to a significant increase in the deficit provision as at 31 July 2019, from £15.9 million to £48.9 million. Following the completion of a further actuarial valuation in 2018, a new deficit recovery plan has been agreed, which has resulted in a reduction in the provision to £26.2 million as at 31 July 2020.

	2020	2019
Discount rate	**0.73%**	1.58%
Pensionable salary growth	**N/A**	N/A

As set out in the accounting policies, there are some critical judgements made in estimating the obligation to fund the USS deficit. The sensitivity of the principal assumptions used to measure the USS deficit provision are set out below:

Change in assumptions at 31 July 2020:	**Estimate of increase in Provision to fund USS deficit recovery (£000)**
0.5% pa decrease in discount rate	634
0.5% pa increase in salary inflation over duration	626
0.5% pa increase in salary inflation year 1 only	131
0.5% pa increase in staff changes over duration	636
0.5% pa increase in staff changes year 1 only	134
1.0% increase in deficit contributions from April 2020	4,132
1 year increase in term	-

[2]The assets and liabilities of LPF are held separately from those of Heriot-Watt University. Pension scheme assets are measured using market values. Pension scheme liabilities are measured using a projected unit method and discounted at the current rate of return on a high-quality corporate bond of equivalent term and currency to the liability. The institution has established a provision to recognise the net value of those assets and liabilities.

[3]This provision meets the cost of legacy pension benefits that are unfunded and paid, as and when they arise, direct to retired members by the University. The cost is charged against the provision established to meet the cost as it arises.

19. Endowment reserves

				Consolidated	
				2020	2019
	Restricted permanent endowments £000	Unrestricted permanent £000	Expendable endowments £000	**Total £000**	Total £000
Balances at 1 August 2019					
Capital	7,467	-	2,366	**9,833**	10,451
Accumulated Income	327	-	299	**626**	980
	7,794	-	2,665	**10,459**	11,431
New endowments	-	-	11	**11**	121
Investment income	234	-	76	**310**	362
Expenditure	(125)	-	(159)	**(284)**	(427)
	7,903	-	2,593	**10,496**	11,487
Increase/(decrease) in market value of investments	21	-	7	**28**	(1,028)
As at 31 July 2020	**7,924**	**-**	**2,600**	**10,524**	10,459
Represented by:					
Capital	7,406	-	2,315	9,721	9,832
Accumulated income	518	-	285	803	627
	7,924	**-**	**2,600**	**10,524**	10,459

				Consolidated	
				2020	2019
	Restricted permanent endowments £000	Unrestricted permanent £000	Expendable endowments £000	**Total £000**	Total £000
Analysis by type and purpose:					
Lectureships				**2,473**	2,497
Scholarships and bursaries				**4,656**	4,670
Prize funds				**1,506**	1,464
General				**1,889**	1,828
				10,524	10,459
Analysis by assets:					
Current and non-current asset investments				**9,721**	9,832
Cash and cash equivalents				**803**	627
				10,524	10,459

20. Restricted reserves

	Research grants £000	Donations £000	Consolidated 2020 Total £000	Consolidated 2019 Total Restated* £000
Balances at 1 August 2019	**7,656**	**2,160**	**9,816**	9,492
New donations	10	-	**10**	2,328
New donations	-	1,323	**1,323**	811
Investment income	-	41	**41**	43
Expenditure	(2,167)	(900)	**(3,067)**	(2,966)
Increase in market value of investments	-	4	**4**	108
	(2,157)	468	**(1,689)**	324
As at 31 July 2020	**5,499**	**2,628**	**8,127**	9,816
Analysis of other restricted funds/donations by type and purpose:				
Lectureships	-	205	**205**	130
Scholarships and bursaries	-	1,394	**1,394**	1,362
Research support	5,499	-	**5,499**	7,656
Prize Funds	-	1	**1**	-
General	-	1,028	**1,028**	668
	5,499	**2,628**	**8,127**	9,816

*Restated as explained in Note 32

21. Cash and cash equivalents

	Consolidated 2020 £000	Consolidated 2019 Restated* £000
Balances at 1 August 2019	**76,523**	77,365
Cash flows, in year	**32,900**	(842)
As at 31 July 2020	**109,423**	76,523

*Restated as explained in Note 32

22. Consolidated reconciliation of net debt

	Consolidated 2020 £000	Consolidated 2019 £000
Net debt 1 August 2019	**(39,905)**	(37,181)
Movement in cash and cash equivalents	**32,900**	(842)
Other non-cash changes	**(28,906)**	(1,305)
Changes in market value and exchange rates	**(1,541)**	(577)
Net debt 31 July 2020	**(37,452)**	(39,905)
Change in net debt	**2,453**	(2,724)

	Consolidated 2020 £000	Consolidated 2019 £000
Analysis of net debt:		
Cash and cash equivalents	**109,423**	76,523
Borrowings: amounts falling due within one year		
Unsecured Loans	**(1,160)**	(733)
Borrowings: amounts falling due after one year		
Unsecured loans	**(145,715)**	(115,695)
Net Debt as at 31 July 2020	**(37,452)**	(39,905)

23. Capital and other commitments

	Consolidated & Institution 2020 £000	Consolidated & Institution 2019 £000
Provision has not been made for the following capital commitments at 31 July 2020:		
Commitments contracted	**17,216**	3,015
Authorised but not contracted	**22,591**	22,224
	39,807	25,239

24. Lease obligations

At 31 July 2020 commitments under operating leases were as follows:

	31 July 2020 Land and buildings £000	31 July 2020 Plant and machinery £000	31 July 2020 Other leases £000	2020 Total £000	2019 Total Restated* £000
Consolidated					
Payable during the year	1,583	212	187	**1,982**	(337)
Future minimum lease payments due:					
Not later than 1 year	5,942	225	-	**6,167**	1,477
Later than 1 year and not later than 5 years	38,120	157	-	**38,277**	10,243
Later than 5 years	104,411	-	-	**104,411**	69,760
Total future minimum lease payments due	148,473	382	-	**148,855**	81,480
Institution					
Payable during the year	572	5	151	**728**	700
Future minimum lease payments due:					
Not later than 1 year	5,202	-	-	**5,202**	439
Later than 1 year and not later than 5 years	29,923	-	-	**29,923**	1,663
Later than 5 years	40,069	-	-	**40,069**	979
Total future minimum lease payments due	75,194	-	-	**75,194**	3,081

Total rentals receivable under operating leases:

	31 July 2020 Land and buildings £000	31 July 2020 Plant and machinery £000	31 July 2020 Other leases £000	2020 Total £000	2019 Total £000
Consolidated and Institution					
Future minimum lease payments due:					
Not later than 1 year	706	-	-	**706**	751
Later than 1 year and not later than 5 years	2,209	-	-	**2,209**	2,424
Later than 5 years	32,275	-	-	**32,275**	32,687
Total lease payments due	35,190	-	-	**35,190**	35,862

25. Subsidiary undertakings

The subsidiary companies (all of which are registered in Scotland), wholly owned or effectively controlled by the University are as follows:

Company	Principal activity	Number of shares	Percentage owned
Edinburgh Business School (Limited by Guarantee) SC173556	Dormant	-	100%
Edinburgh Conference Centre Limited	Dormant	100	100%
Heriot-Watt Services Limited	The management and operation of the National Performance Centre for Sport	100	100%
Heriot-Watt Sports Village Limited	Operation of Heriot Watt's Sports Academy, under licence from Heriot-Watt Services Limited, prior to that activity being fully absorbed into Heriot-Watt Services Limited from 1 August 2018. The company was dissolved on 20 November 2018.	-	100%
Heriot-Watt Trading Limited	The provision of consultancy, pipeline technology, language translation and interpretation services, management and business training and the manufacture of finished goods	2,000,000	100%
Scottish College of Textiles Limited	Dormant	6	100%

The Group also wholly owns and effectively controls the following overseas business:

Company	Principal activity	Number of shares	Percentage owned
Heriot-Watt University Malaysia Sdn BhD	A private Higher Education Institution, registered by the Malaysian Ministry of Higher Education	20,000,000	100%

26. Pension schemes

All staff have the option of joining a pension scheme. The schemes currently available to new members of staff on Heriot-Watt contracts of employment are the Universities Superannuation Scheme (USS) and the Lothian Pension Fund (LPF). Existing employees are entitled to maintain their membership of the Scottish Teachers Superannuation Scheme (STSS), whereas the Supplementary Pension Scheme (SPS) is closed and contains only pensioner members.

Up to 31 July 2019, the date on which Heriot-Watt and Edinburgh Business School effected their business combination, the scheme available to new members of staff on Edinburgh Business School contracts of employment was the Universities Superannuation Scheme (USS). Existing employees were entitled to maintain their membership of the Lothian Pension Fund (LPF). Following the business combination, all staff have assumed Heriot-Watt conditions of employment, but those members of staff who under Heriot-Watt conditions of service would be ineligible for USS membership, retain their right to maintain such membership.

The scheme currently available to staff on Heriot-Watt Services Limited contracts of employment is the Heriot- Watt Services Limited defined contribution pension scheme.

None of the Group's other subsidiary undertakings operate any other pension schemes.

Full provision has been made for those pension costs that do not arise from externally funded defined benefit schemes. The amount charged to the statement of comprehensive income represents either the contributions payable to the individual plans in respect of the year or the service cost expected to arise from employee service in the current year. The total pension charge in the financial statements reflects the costs incurred by the group during the year of £22,200,000 (2019: £51,552,000); and is analysed as follows:

	Employers' pension contributions (note 7)	Net charge on pension assets (note 8)	Provision movement (note 18)	Consolidated 2020 £000	Consolidated 2019 £000
Universities Superannuation Scheme	12,647	772	(23,467)	**(10,048)**	43,504
Lothian Pension Fund	3,292	469	27,794	**31,555**	7,416
Scottish Teachers Superannuation Scheme	50	-	(28)	**22**	19
Other pension costs	671	-	-	**671**	613
	16,660	**1,241**	**4,299**	**22,200**	51,552

The pension costs are assessed in accordance with the advice of independent qualified actuaries using the projected unit method. The latest actuarial valuations of the USS was on 31 March 2018, of the Lothian Pension Fund (LPF) scheme on 31 March 2018, of the Scottish Teachers Superannuation Scheme on 31 March 2016 and of the Supplementary Pension Scheme (SPS) on 31 March 2016.

a. Universities Superannuation Scheme

Heriot-Watt participates in the Universities Superannuation Scheme ('the scheme'). The scheme is 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 assets are not attributed to individual institutions and a scheme-wide contribution rate is set. The University 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. As required by Section 28 of FRS 102 "Employee benefits", the University therefore accounts for the scheme as if it were a wholly defined contribution scheme. As a result, the amount charged to the profit and loss account represents the contributions payable to the scheme. Since the University has entered into an agreement (the Recovery Plan) that determines how each employer within the scheme will fund the overall deficit, the institution recognises a liability for the contributions payable that arise from the agreement (to the extent that they relate to the deficit) and therefore an equivalent expense is recognised.

FRS 102 makes the distinction between a Group Plan and a multi-employer scheme. A Group Plan consists of a collection of entities under common control typically with a sponsoring employer. A multi-employer scheme is a scheme for entities not under common control and represents (typically) an industry-wide scheme such as the Universities Superannuation Scheme. The accounting for a multi-employer scheme where the employer has entered into an agreement with the scheme that determines how the employer will fund a deficit results in the recognition of a liability for the contributions payable that arise from the agreement (to the extent that they relate to the deficit) and the resulting expense is recognised in profit or loss in accordance with section 28 of FRS102. The University is satisfied that the Universities Superannuation Scheme meets the definition of a multi-employer scheme and has therefore recognised the discounted fair value of the contractual contributions under the funding plan in existence at the date of approving the financial statements.

The University is required to contribute a specified percentage of payroll costs to the pension scheme to fund the benefits payable to the company's employees. The percentage effective from 1 April 2019 was 19.5%; between 1 April 2016 and 31 March 2019, it was 18%; prior to that, it was 16%.

The total cost charged to the statement of comprehensive income is -£10,048,000 (2019: £43,504,000) as shown above.

Deficit recovery contributions due within one year for the University are £1,207,000 (2019: £981,000)

The latest available complete actuarial valuation of the Retirement Income Builder section of the Scheme is at 31 March 2018 (the valuation date), which was carried out using the projected unit method. A valuation as at 31 March 2020 is underway but not yet complete.

Since the institution cannot identify its share of USS Retirement Income Builder assets and liabilities, the following disclosures reflect those relevant for those assets and liabilities as a whole.

The 2018 valuation was the sixth 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 £63.7 billion and the value of the Scheme's technical provisions was £67.3 billion indicating a shortfall of £3.6 billion and a funding ratio of 95%.

The key financial assumptions used in the 2018 valuation are described below. More detail is set out in the statement of Funding Principles.

Pension increases (CPI)	Term dependent rates in line with the difference between the Fixed Interest and Index Linked yield curves, less 1.3% pa.
Discount rate (forward Rates)	Years 1-10: CPI -0.14% reducing linearly to CPI -0.73% Years 11-20: CPI +2.52% reducing linearly to CPI +1.55% by year 21 Years 21+: CPI +1.55%

The main demographic assumption used relates to the mortality assumptions. These assumptions are based on analysis of the Scheme's experience carried out as part of the 2018 actuarial valuation. The mortality assumptions used in these figures are as follows:

Mortality base table	*Pre-retirement*: 71% of AMC00 (duration 0) for males and 112% of AFC00 (duration 0) for females. *Post-retirement*: 97.6% of SAPS S1NMA "light" for males and 102.7% of RFV00 for females
Future improvements to mortality	CMI_2017 with a smoothing parameter of 8.5 and a long-term improvement rate of 1.8% pa for males and 1.6% pa for females.

The current life expectancies on retirement at age 65 are:

	2018 Valuation	2017 Valuation
Males currently aged 65 (years)	**24.4**	24.6
Females currently aged 65 (years)	**25.9**	26.1
Males currently aged 45 (years)	**26.3**	26.6
Females currently aged 45 (years)	**27.7**	27.9

The funding position of the scheme has since been updated on an FRS 102 basis:

	2020	2019
Scheme assets	**£63.7bn**	£67.4bn
Total scheme liabilities	**£67.3bn**	£79.2bn
FRS 102 total scheme deficit	**£3.6bn**	£11.8bn
FRS 102 total funding level	**95%**	85%

A new deficit recovery plan was put in place as part of the 2018 valuation, which requires payment of 2% of salaries over the period 1 October 2019 to 30 September 2021 at which point the rate will increase to 6%. The 2020 deficit recovery liability reflects this plan. The liability figures have been produced using the following assumptions:

	2020	2019
Discount rate	**2.59%**	2.44%
Pensionable salary growth	**n/a**	n/a
Pension increases (CPI)	**4.20%**	2.11%

b. Lothian Pension Fund

The LPF is a pension scheme providing benefits based on final pensionable pay. The assets and liabilities of the scheme are held separately from those of Heriot-Watt University. Pension scheme assets are measured using market values. Pension scheme liabilities are measured using a projected unit method and discounted at the current rate of return on a high-quality corporate bond of equivalent term and currency to the liability. Contributions to the Scheme are calculated so as to spread the cost of pensions over employees' working lives with the University. The Contributions are determined by an actuary based on triennial valuations using the Age Attained Method. Variations from regular cost are spread over the expected average remaining working lifetime of members of the schemes, after making allowances for future withdrawals. The amount charged to the statement of comprehensive income represents the service cost expected to arise from employee service in the current year.

An actuarial valuation exercise has been undertaken by a qualified independent actuary in order to calculate pension expense as at 31 July 2020.

The major categories of plan assets as a percentage of total plan assets

	2020	2019
Equities	**75%**	74%
Bonds	**11%**	12%
Property	**7%**	7%
Cash	**7%**	7%

The major assumptions at 31 July 2020 used by the actuary

	2020	2019
Pension increase rate	**2.2%**	2.4%
Salary increase rate	**3.9%**	4.1%
Discount rate	**1.4%**	2.1%

Life expectancy

Life expectancy is based on the Fund's VitaCurves with improvements in line with the CMI 2018 model, an allowance for smoothing of recent mortality experience and long term rates of 1.25% p.a. for males and females. Based on these assumptions, the average future life expectancies at age 65 are summarised below:

	Males	Females
Current Pensioners	20.9 years	23.3 years
Future Pensioners*	22.8 years	25.5 years

* Figures assume members aged 45 as at the last formal valuation date.

Life expectancies for the prior period end are based on the Fund's VitaCurves with an allowance for future improvements as shown below:

Period ending	Prospective pensioners	Pensioners
31 July 2020	CMI2018 model assuming the current rate of improvements has peaked and will converge to a long-term rate of 1.25% p.a.	CMI2018 model assuming the current rate of improvements has peaked and will converge to a long-term rate of 1.25% p.a.

The mortality assumptions used to value the obligations in the employer's closing position are identical to those used to value the obligations in the employer's opening position.

An allowance is included for future retirements to elect to take 50% of the maximum additional tax-free cash up to HMRC limits for pre-April 2009 service and 75% of the maximum tax-free cash for post-April 2009 service.

Changes in the fair value of plan assets, defined benefit obligation and net liability for year

Period Ended 31 July	2020			2019		
	Assets £000	Obligations £000	Net Asset/ (Liability) £000	Assets £000	Obligations £000	Net Asset/ (Liability) £000
Opening Position as at 31 July, previous year						
Fair value of plan assets	141,099	-	**141,099**	128,630	-	128,630
Present value of funded liabilities	-	(161,825)	**(161,825)**	-	(138,183)	(138,183)
Present value of unfunded liabilities	-	(203)	**(203)**	-	(204)	(204)
	141,099	(162,028)	**(20,929)**	128,630	(138,387)	(9,757)
Defined benefit costs recognised in Profit or (Loss						
Service Cost						
Current service cost*	-	(5,954)	**(5,954)**	-	(4,765)	(4,765)
Past service cost (including curtailments)	-	-	-	-	(2,324)	(2,324)
		(5,954)	**(5,954)**	-	(7,089)	(7,089)
Net interest						
Interest income on plan assets	2,971	-	**2,971**	3,608	-	3,608
Interest cost on defined benefit obligation	-	(3,440)	**(3,440)**	-	(3,935)	(3,935)
	2,971	(3,440)	**(469)**	3,608	(3,935)	(327)
	2,971	(9,394)	**(6,423)**	3,608	(11,024)	(7,416)
Cashflows						
Plan participants' contributions	791	(791)	**-**	768	(768)	-
Employer contributions	3,292	-	**3,292**	3,206	-	3,206
Contributions in respect of unfunded benefits	14	-	**14**	14	-	14
Benefits paid	(3,598)	3,598	**-**	(3,371)	3,371	-
Unfunded benefits paid	(14)	14	-	(14)	14	-
	485	2,821	**3,306**	603	2,617	3,220
Expected closing position	144,555	(168,601)	**(24,046)**	132,841	(146,794)	(13,953)
Remeasurements						
Changes in demographic assumptions	-	(17,913)	**(17,913)**	-	6,055	6,055
Changes in financial assumptions	-	-	**-**	-	(21,280)	(21,280)
Other experience	-	665	**665**	-	(9)	(9)
Return on assets excluding amounts included in net interest	(7,898)	-	**(7,898)**	8,258	-	8,258
Total remeasurements recognised in Other Comprehensive Income (OCI)	(7,898)	(17,248)	**(25,146)**	8,258	(15,234)	(6,976)
Closing Position as at 31 July 2020	136,657	(185,849)	**(49,192)**	141,099	(162,028)	(20,929)
Represented by:						
Fair value of plan assets	136,657	-	**136,657**	141,099	-	141,099
Present value of funded liabilities	-	(185,636)	**(185,636)**	-	(161,825)	(161,825)
Present value of unfunded liabilities**	-	(213)	**(213)**	-	(203)	(203)
Closing position as at 31 July 2020	136,657	(185,849)	**(49,192)**	141,099	(162,028)	(20,929)

* The current service cost includes an allowance for administration expenses of 0.3% of payroll.

** The liability compromises of approximately £213,000 in respect of LGPS unfunded pensions and £0 in respect of Teachers' unfunded pensions.

Information about the defined benefit obligation

	Liability split (£000) as at 31 July 2020	Liability split (%) as at 31 July 2020	Weighted average duration at previous formal valuation
Active members	13,073	80.9%	23.9
Deferred members	607	3.8%	24.4
Pensioner members	2,477	15.3%	11.8
Total	**16,157**	**100%**	**19.7**

The figures, above, are for the funded obligations only and do not include any unfunded pensioner liabilities. The durations are as they stood at the date of the most recent actuarial valuation of the employer.

Analysis of projected amount to be charged to operating profit for the period to 31 July 2021

Period Ending 31 July 2021	Assets £000	Obligations £000	Net (liability)/asset £000	% of pay
Projected Current service cost*	-	(6,998)	(6,998)	(52.5%)
Total Service Cost	**-**	**(6,998)**	**(6,998)**	**(52.5%)**
Interest income on plan assets	1,915	-	1,915	14.4%
Interest cost on defined benefit obligation	-	(2,608)	(2,608)	(19.6%)
Total Net Interest Cost	**1,915**	**(2,608)**	**(693)**	**(5.2%)**
Total Included in Profit and Loss	**1,915**	**(9,606)**	**(7,691)**	**(57.7%)**

*The current service cost includes an allowance for administration expenses of 0.3% of payroll. The monetary value is based on a projected payroll of £13,319,000.

The contributions paid by the Employer are set by the Fund Actuary at each triennial actuarial valuation (the most recent being as at 31 March 2017), or at any other time as instructed to do so by the Administering Authority. The contributions payable over the period to 31 March 2021 are set out in the Rate and Adjustments certificate.

The Employer's contributions are estimated for the period to 31 July 2021 to be approximately £3,329,000.

The above figures should be treated as estimates and may need to be adjusted to take account of:

- any material events, such as curtailments, settlements or the discontinuance of the Employer's participation in the Fund;
- any changes to accounting practices;
- any changes to the Scheme benefit or member contribution rates; and/or
- any full funding valuation that may have been carried out on the Employer's behalf.

The monetary amount of the projected service cost for the period to 31 July 2021 may be adjusted to take account of actual pensionable payroll for the period.

Sensitivity analysis

The sensitivities regarding the principal assumptions used to measure the scheme liabilities are set out below:

Change in assumptions at 31 July 2020:	Approximate % increase to Employer Liability	Approximate monetary amount (£000)
0.5% decrease in Real Discount Rate	11%	19,817
0.5% increase in the Salary Increase Rate	2%	3,287
0.5% increase in the Pension Increase Rate	9%	15,978

In order to quantify the impact of a change in the financial assumptions used, the value of the scheme liabilities as at 31 July 2020 has been calculated and compared on varying bases. The approach taken is consistent with that adopted to derive the FRS 102 figures provided in this report.

The principal demographic assumption is the longevity assumption (i.e. member life expectancy). For sensitivity purposes, we estimate that a one-year increase in life expectancy would approximately increase the Employer's Defined Benefit Obligation by around 3-5%. In practice, the actual cost of a one-year increase in life expectancy will depend on the structure of the revised assumption (i.e. if improvements to survival rates predominantly apply at younger or older ages).

Please note the above figures have been derived based on the membership profile of the Employer as at the date of the most recent actuarial valuation.

The approach taken in preparing the sensitivity analysis shown is consistent with that adopted in the previous year.

McCloud Judgement

When the LGPS benefit structure was reformed in 2015, transitional protections were applied to certain older members close to normal retirement age. Following legal proceedings argued in the McCloud and Sargeant cases, the Court of Appeal found that the transitional provisions introduced in the judges and firefighters' pension schemes in 2015 gave rise to unlawful age discrimination. The UK Government requested leave to appeal this finding but this was refused by the Supreme Court on 27 June 2019. The UK Government has formally accepted the Court's decision and, recognising the implications for all public sector pension schemes, is engaging with relevant representatives to agree how the discrimination will be remedied. In 2019 the Lothian Pension Fund actuary adjusted the Government Actuary's Department estimate to better reflect the University's local assumptions, particularly withdrawal rates and salary increases. The estimated impact of the McCloud judgement was included in the 2018/19 financial statements as a past service cost estimated at £1.5 million. Since the University initially accounted for the liability arising in the Lothian Pension Fund from the McCloud case, a further consultation has been issued, which outlines a proposed approach to addressing the additional liabilities arising. Under the revised approach, the McCloud impact continues to represent around 1.2% of total liabilities and there is therefore no material change to the actuarial loss relating to the McCloud judgement in 2019/20.

These numbers are high level estimates based on a combination of Scheme and Fund level calculations and therefore depend on various key assumptions which may or not be borne out in practice.

Goodwin Judgement

On 30 June 2020, in a case brought by Mrs Linda Goodwin (the Claimant), the Employment Tribunal ruled that a widower or surviving male civil partner of the Claimant shall be entitled to the same pension as he would if he were a widow or surviving female civil partner of the Claimant. This ruling has implications for liabilities in other schemes, including the Lothian Pension Fund. It impacts the survivor pensions of female members with pre-1988 service who die after 2005. To date, there are no draft regulations or consultation on how to rectify impacted members. The University's actuaries have assessed the estimated cost of this judgement as below materiality and no adjustments have therefore been reflected in the financial statements at 31 July 2020.

c. Scottish Teachers' Superannuation Scheme

Heriot-Watt University participates in the Scottish Teachers' Superannuation Scheme, an unfunded statutory public service pension scheme with benefits underwritten by the UK Government. The University is unable to identify its share of the underlying assets and liabilities of the scheme and has taken advantage of the exemption in FRS 102 to account for the scheme as a defined contribution scheme.

The last four-yearly valuation was carried out as at 31 March 2016 and a shortfall of £1.3 billion was identified in the notional fund. The shortfall will be repaid by a supplementary rate of 4.3% of employers' pension contribution for fifteen years from 1 April 2019. This contribution is included in the 23% employers' contribution rate. The next valuation will be based on the scheme data as at 31 March 2020 and will set the employer contribution rate for the period 1 April 2023 to 31 March 2027.

As the scheme is unfunded, no surplus or shortfall can be identified. The scheme is financed by payments from employers and from those current employees who are members of the scheme and paying contributions at progressively higher marginal rates based on pensionable pay, as specified in the regulations. The rate of employer contribution is set with reference to a funding valuation undertaken by the scheme actuary.

The amount charged to the Statement of Comprehensive Income and Expenditure represents the employer's contributions payable to the scheme in respect of the year. The total contribution made for the year ended 31 July 2020 was £73,967 (2019: £60,305), of which employer's contributions totalled £50,035 (2019: £37,089) and employee's contributions totalled £23,932 (2019: £23,215).

The total employer contributions received for the Scottish Teachers' scheme in the year to 31 March 2020 were £559.1m. Heriot-Watt University's level of participation in the scheme is 0% based on the proportion of employer contributions paid in 2019-20.

d. National Employment Savings Trust (NEST)

The University and, prior to the business combination on 31 July 2019, Edinburgh Business School have implemented arrangements to meet the UK statutory requirement for employers to automatically enrol certain workers who are not already pension scheme members into a qualifying pension scheme. In addition to the existing pension schemes, staff can opt to join NEST.

A total of 436 employees were active members at the year-end. The employer's costs for the year ended 31 July 2020 was £18,549 (2019: £6,382).

e. Heriot- Watt Services Limited defined contribution pension scheme

Employees on Heriot-Watt Services Ltd contracts of employment are entitled to contribute to a defined contribution scheme.

The employer's costs for the year ended 31 July 2020 was £49,530 (2019: £49,163).

27. Events after the reporting period

Non-adjusting Post Balance Sheet Events

In September 2020, the Trustee of the USS Pension Scheme (USS) launched a consultation with Universities UK on key aspects of the scheme's 2020 valuation. The scope of this exercise covers a wide range of potential outcomes - reflecting issues still to be resolved on employer support as well as uncertainties for the higher education sector and financial markets in general - but, based on the proposals put forward, the Trustees have indicated that the fund's deficit at 31 March 2020 could range from between £9.8bn and £17.9bn.

This would represent a significant deterioration from the £3.6bn deficit established under the 2018 valuation (and against which the current recovery plan is set) and a return to the levels of shortfall experienced under the previous 2017 valuation (£11.8bn).

At this stage, an outcome is far from agreed and the USS Trustee has until 30 June 2021 to conclude the valuation. As an early indication of the scale of impact though, it has been estimated that the cost of continuing to offer current benefits in this context could reach between 40.8% to 67.9% of payroll. However, this is range is purely an illustration and is before any other measures are considered to reduce the deficit and is still being widely debated across the sector and by the Trustee of the Pension Scheme. For the 2019-20 financial year however, this is considered a non-adjusting event.

28. Financial instruments

The Group has exposure to the following risks from the use of financial instruments:

a. Liquidity risk

Liquidity risk is the risk that the group will not be able to meet its financial obligations as they fall due. The University's approach to managing liquidity is to ensure that it will have sufficient liquid funds to meet its liabilities as they fall due. The Group's key income sources are set out in notes 1 to 6 above. These income streams are considered by the University to be reliable and stress tests against the bank covenants in place show these income streams to be more than sufficient to satisfactorily service the existing level of debt. Liquidity is managed by the use of the annual operating plan process and the monitoring of actual performance against budgets and forecasts. The table below details the contractual maturities of financial liabilities.

	Carrying amount	Contractual cash flows	Within one year	After more than one year
Financial liabilities	£000	£000	£000	£000
Trade creditors and other payables (less accruals and loans)	33,838	-	33,838	-
Other financial liabilities	146,875	-	1,160	145,715
	180,713	**-**	**34,998**	**145,715**

b. Credit risk

Credit risk is the risk of financial loss to the University group if a customer or counter party fails to meet its contractual obligations and arises from the trade receivables. The maximum exposure to credit risk is represented by the carrying value of each financial asset in the balance sheet. The University operates a debt management process including monitoring, escalation procedures and recourse to court action to recover monies outstanding. Provision is made for doubtful receivables upon the age of the debt and experience of collecting overdue debts. Cash and cash equivalents are held with banks that are not expected to fail. The maximum exposure to credit risk at the reporting date was:

	Carrying amount	
	2020	2019
		Restated*
Financial assets	**£000**	£000
Trade debtors and other receivables	**22,283**	29,927
Cash and cash equivalents	**109,423**	76,523
	131,706	106,450

*Restated as explained in Note 32

c. Market risk

Market risk is the risk that market prices such as interest rates, foreign exchange rates and equity prices will affect income or the value of holdings in financial instruments.

- **Interest rate risk**

At the balance sheet date, the market risk of the Group's interest-bearing financial instruments was as follows:

	2020	2019
	£000	£000
Fixed rate instruments		
Financial liabilities	**(141,509)**	(112,000)
Variable rate instruments		
Financial assets	**19,097**	19,874

- **Currency risk**

The Group is exposed to currency risk on transactions and balances that are denominated in currencies other than sterling. Whenever practical, the University enters into agreements in its functional currency in order to minimise currency risks. The Group is exposed to currency risks from its activities conducted overseas but does not enter into any hedge arrangements and does not consider currency risk to be material.

d. Fair values

The fair values, together with the carrying amounts of financial assets and liabilities in the balance sheet are as follows:

	Carrying amount & fair value	
	2020	2019
		Restated*
	£000	£000
Trade debtors and other receivables	**22,422**	34,052
Cash and cash equivalents	**109,423**	76,523
Trade creditors and other payables	**(33,838)**	(35,941)
Other financial liabilities	**(146,875)**	(116,428)
	(48,868)	(41,794)

*Restated as explained in Note 32

The following methods and assumptions were used to estimates fair values:

Financial assets held for sale:	Based on an assessment of recoverable amounts
Trade debtors and other receivables:	Fair value deemed to be the same as book value
Cash and cash equivalents:	Fair value deemed to be the same as book value
Trade creditors and other payables:	Fair value deemed to be the same as book value

The group has long term borrowings raised from the private placement market. These are in tranches that are due for repayment from 2027 through to 2046. In total the borrowings are for £127m and $19m. The borrowings are subject to two covenant tests based on the annual financial statements: asset cover to net borrowing test and operating cashflow to debt service ratio.

29. Access funds

Funding Council grants are available solely for students; the group acts only as a paying agent. The grants and related disbursements are therefore excluded from the Income and Expenditure Account. The unspent balances repayable to the Funding Council are recorded on the Balance Sheet as a cash asset and an equal liability in creditors - amounts falling due within one year.

	Covid-19*	Childcare	Group hardship	**Total**
	£000	£000	£000	**£000**
At 1 August 2019	-	5	93	98
Repaid to funding body	-	(5)	(93)	(98)
Funding council grants	-	100	350	450
Disbursed to students	-	(108)	(86)	(194)
Vired between funds	-	40	(40)	-
Balance unspent at 31 July 2020	-	**32**	**224**	**256**
Repayable to funding body (to carry over to 20/21 due to Covid-19)	-	**32**	**224**	**256**
Funding council grants (20/21 allocations released early due to Covid-19)	50	60	202	312
Disbursed to students	(25)	-	-	(25)
Balance unspent at 31 July 2020 from 20/21 fund allocation	25	60	202	287
Total unspent at 31st July 2020	25	92	426	543

*Unspent funds at 30th Sept 20 to be returned to funding council.

30. Related party transactions

Due to the nature of the University's activities and the composition of Court, being drawn from 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. From time to time, as supporters of the University, Court members may donate varying amounts to assist the University in achieving its goals. All transactions involving organisations in which a member of Court or of the senior officers may have an interest are conducted at arm's length and in accordance with the University's financial regulations and normal procurement procedures.

A register of the interests of the members of Court and of the University's senior officers is maintained and regularly updated. Court Members' interests can be viewed within their individual profiles on the University's website at https://www.hw.ac.uk/about/profile/governance/court.htm. Included in these financial statements are the following transactions between the University and related parties where a member of the University Court or Senior Officer was also a director or trustee of the related party (as defined in Section 33 of FRS 102).

Year ended 31 July 2020	Payments received £000	Balance due to Institution at 31/7/2020 £000	Payments made £000	Balance due from Institution at 31/7/2020 £000
Glasgow Caledonian University	10	-	-	-
Cala Group	1	-	-	-
Geological Society	-	-	133	-
University of Aberdeen	33	-	-	-
Mott MacDonald	9	-	-	-
Napier University	38	-	-	-
QAA	5	-	-	-
RBS	60	-	-	-
Scottish Enterprise	688	-	-	-
Social Investment Scotland	19	-	-	-
Standard Life	1	-	-	-
The Royal Society of Edinburgh	52	-	-	-

The University has taken advantage of the exemption allowed by FRS 102 not to disclose transactions between wholly owned group companies.

During the year, the University made grants to the Heriot-Watt Students Union totalling £639,453 (2019: £622,296).

In common with many universities, senior members of the University sit on Research Councils and other grant awarding bodies, or their sub committees, which have their own internal procedures to avoid potential conflicts of interest. The Income from such sources were:

	Consolidated 2020 £000
Arts and Humanities Research Council	**4**
Biotechnology and Biological Sciences Research Council	**265**
Engineering and Physical Sciences Research Council	**10,846**
Economic and Social Research Council	**265**
Medical Research Council	**112**
Natural Environment Research Council	**679**
Science and Technology Facilities Council	**602**
Other (British's Academy, Royal Societies, etc.)	**987**

31. Contingent Liabilities

It is normal for the University to have a number of disputes on-going at any time. Where those disputes relate to a past event, the probability of success is likely to result in a transfer of economic benefit to settle the obligation and the University can provide a reliable estimate for the obligation then the University makes a provision within the accounts. Where the University is subject to dispute proceedings and where, in consultation with the University's lawyers, the assessment is that the probability of the outcome being found against the University is low and no reliable estimate for the economic obligation can be made, the University does not make a provision within the financial accounts or make specific disclosure, especially if there is underlying commercial sensitivity. Any such cases are kept under constant review.

The University is engaged in legal action with a former partner organisation, who alleges breach of contract. The information usually required by Section 21 of FRS 102 is not disclosed on the grounds that management consider that it may seriously prejudice the outcome of the litigation. The University and its lawyers are of the opinion that the claim can be successfully resisted by the University and the University's own claims vindicated.

32. Prior Year Adjustments

Following a change in senior management, external auditor and internal auditor during the period ended 31 July 2020, a full review of the balance sheet was undertaken which identified various issues related to the implementation of the latest version of the accounting system currently in use. Further investigation identified unreconciled migrated balances and a system setup error, which has led to erroneous and incorrect calculations in respect of revaluation of foreign currency balances. The University has considered the issues against the provisions of section 10 of FRS 102 and has concluded that the matters identified fall within the provision required to restate as prior year adjustments. A review has also been undertaken with regard to Research Projects and the accounting for them under FRS 102 where no performance criteria exists. This has led to movement of income between years. Correcting all issues identified has led to significant movement between balance sheet accounts, as well as reserve movements in prior years, which has impacted the statement of comprehensive income. A summary of the changes is provided below.

Statement of Changes in Reserves

Consolidated	Income and Expenditure reserve: Endowment £000	Restricted £000	Unrestricted £000	Translation Reserve £000	Revaluation Reserve £000	Total £000
Balance at 1 August 2018 as reported	11,431	8,653	57,715	-	3,058	80,857
Exchange differences arising on translation of foreign entities			402	(402)	-	-
Transfer between restricted and unrestricted reserves	-	836	(836)	-	-	-
Research grants receivables	-	-	(3,280)	-	-	(3,280)
Grants in advance for research	-	-	4,429	-	-	4,429
Trade receivables	-	-	(1,851)	-	-	(1,851)
Accruals and deferred income	-	-	774	-	-	774
Other creditors	-	-	225	-	-	225
Deferred income due in more than one year	-	-	3,418	-	-	3,418
Balance as at 01 August 2018 as restated	**11,431**	**9,489**	**60,996**	**(402)**	**3,058**	**84,572**
Balance at 1 August 2019 as reported	10,459	6,854	25,900	-	2,964	46,177
Prior year adjustments (as above)	-	836	3,281	(402)	-	3,715
Exchange differences arising on translation of foreign entities	-	-	(95)	95	-	-
Research adjustments		2,126	(2,126)	-	-	-
Surplus/(deficit) from income and expenditure statement	-	-	(331)	-	-	(331)
Other comprehensive income	-	-	331	-	-	331
Fixed asset adjustments	-	-	27	-	-	27
Trade receivables	-	-	628	-	-	628
Research grants receivables	-	-	378	-	-	378
Prepayments and accrued income	-	-	615	-	-	615
Cash and cash equivalents	-	-	80	-	-	80
Trade creditors	-	-	52	-	-	52
Other taxation and social security	-	-	464	-	-	464
Accruals and deferred income	-	-	(4,087)	-	-	(4,087)
Grants in advance for research			1,011			1,011
Deferred income due in more than one year	-	-	(207)	-	-	(207)
Other unsecured loans	-	-	(204)	-		(204)
Balance as at 01 August 2019 as restated	**10,459**	**9,816**	**25,717**	**(307)**	**2,964**	**48,649**

Institution	Income and Expenditure reserve			Translation Reserve	Revaluation Reserve	Total
	Endowment	Restricted	Unrestricted			
	£000	£000	£000	£000	£000	£000
Balance at 1 August 2018 as reported	9,593	8,503	59,685	-	2,875	80,656
Prior year – correction to balance on reserve	-	3	-	-	-	3
Exchange differences arising on translation of foreign entities	-	-	402	(402)	-	-
Transfer between reserves in respect of research adjustments	-	836	(836)	-	-	-
Research grants receivables	-	-	(3,280)	-	-	(3,280)
Research grants in advance for research	-	-	4,429	-	-	4,429
Trade receivables	-	-	435	-	-	435
Accruals and deferred income			685			685
Other creditors			225			225
Deferred income due in more than one year	-	-	2,551	-	-	2,551
Balance at 1 August 2018 as restated	9,593	9,342	64,296	(402)	2,875	85,704
Balance as at 1 August 2019 as reported	10,459	6,854	38,320	-	2,875	58,508
Prior year adjustments (as above)	-	836	4,612	(402)	-	5,046
Exchange differences arising on translation of foreign entities	-	-	(1,387)	1,387	-	-
Transfer between reserves in respect of research adjustments	-	2,126	(2,126)	-	-	-
Deficit from income and expenditure statement	-	-	(1,049)	-	-	(1,049)
Other comprehensive income	-	-	1,049	-	-	1,049
Trade receivables	-	-	(1,479)	-	-	(1,479)
Research grants receivables	-	-	378	-	-	378
Cash and cash equivalents	-	-	80	-	-	80
Trade creditors	-	-	52	-	-	52
Other taxation and social security	-	-	464	-	-	464
Accruals and deferred income			(3,319)			(3,319)
Grants in advance for Research			1,011			1,011
Other unsecured loans	-	-	(204)	-	-	(204)
Balance at 31 July 2019 as restated	**10,459**	**9,816**	**36,402**	**985**	**2,875**	**60,537**

Consolidated and Institution Statement of Comprehensive Income and Expenditure for the year ending 31 July 2019

		Consolidated			Institution		
		2019 As reported	Impact of adjustments	2019 Restated	**2019 As reported**	Impact of adjustments	2019 Restated
	Note	£000	£000	£000	**£000**	£000	£000
Income							
Tuition fees and education contracts	1	121,844	1,693	123,537	98,767	1,693	100,460
Funding body grants	2	48,393	(289)	48,104	48,393	(289)	48,104
Research grants and contracts	3	33,642	(60)	33,582	33,563	(60)	33,503
Other income	4	31,022	1,411	32,433	25,288	1,737	27,025
Investment income	5	1,357	-	1,357	1,388	-	1,388
Endowments and donations	6	1,091	-	1,091	11,123	-	11,123
		237,349	2,755	240,104	218,522	3,081	221,603
Expenditure							
Staff costs	7	116,356	6	116,362	102,646	6	102,652
Restructuring costs	7	46	-	46	3	-	3
Increase in USS Pension Provision	18	32,613	-	32,613	32,613	-	32,613
Other operating expenses	9	100,223	3,723	103,946	85,190	4,196	89,386
Depreciation, Amortisation & Impairment	11,12	12,392	23	12,415	10,293	-	10,293
Interest and other finance costs	8	4,273	578	4,851	4,225	846	5,071
		265,903	4,330	270,233	234,970	5,048	240,018
Surplus/(Deficit) before other gains and losses		(28,554)	(1,575)	(30,129)	(16,448)	(1,967)	(18,415)
Loss on disposal of fixed assets		(2)	-	(2)	-	-	-
Loss on investment property		(150)	-	(150)	(150)	-	(150)
Gain on investments		996	-	996	990	-	990
Loss on research projects		(43)	-	(43)	(43)	-	(43)
Deficit before tax		(27,753)	(1,575)	(29,328)	(15,651)	(1,967)	(17,618)
Taxation	10	49	-	49	107	-	107
Deficit for the year		(27,704)	(1,575)	(29,279)	(15,544)	(1,967)	(17,511)
Other Comprehensive Income							
Unrealised gains on restatement of overseas entitie		-	331	331	-	1,049	1,049
Actuarial loss in respect of pension schemes	26	(6,976)	-	(6,976)	(6,604)	-	(6,604)
Total comprehensive income for the year		(34,680)	(1,244)	(35,924)	(22,148)	(918)	(23,066)
Represented by:							
Endowment comprehensive income for the year		(971)	-	(971)	866	-	866
Restricted comprehensive income for the year		(1,799)	-	(1,799)	(1,649)	-	(1,649)
Unrestricted comprehensive income for the year		(31,910)	(1,245)	(33,155)	(21,365)	(2,305)	(23,670)
Translation reserve comprehnisve income for the year		-	95	95	-	1,387	1,387
Revaluation reserve comprehensive income for the year		-	(94)	(94)	-	-	-
		(34,680)	(1,244)	(35,924)	(22,148)	(918)	(23,066)

Consolidated and Institution Balance Sheet for the year ended 31 July 2019

	Note	Consolidated 2019 As reported £000	Consolidated Impact of adjustments £000	Consolidated 2019 Restated £000	Institution 2019 As reported £000	Institution Impact of adjustments £000	Institution 2019 Restated £000
Non-current assets							
Intangible assets and goodwill	11	1,171	-	1,171	1,171	-	1,171
Tangible fixed assets	12	230,460	27	230,487	192,839	-	192,839
Investments	13	32,010	-	32,010	37,997	-	37,997
		263,641	27	263,668	232,007	-	232,007
Current Assets							
Stock	14	2	-	2	-	-	-
Trade and other receivables	15	48,883	(3,510)	45,373	71,849	(4,131)	67,718
Cash and cash equivalents	21	76,443	80	76,523	67,571	80	67,651
		125,328	(3,430)	121,898	139,420	(4,051)	135,369
Less Creditors: amounts falling due within one year	16	82,812	(2,186)	80,626	81,397	(2,868)	78,529
Net current assets		42,516	(1,244)	41,272	58,023	(1,183)	56,840
Total assets less current liabilities		306,157	(1,217)	304,940	290,030	(1,183)	288,847
Creditors: amounts falling due after more than one year	17	189,857	(3,689)	186,168	161,399	(3,027)	158,372
Provisions							
Pension provisions	18	70,123	-	70,123	70,123	-	70,123
Total net assets		46,177	2,472	48,649	58,508	1,844	60,352
Restricted reserves							
Income and expenditure – endowment reserve	19	10,459	-	10,459	10,459	-	10,459
Income and expenditure – restricted reserve	20	6,854	2,962	9,816	6,854	2,962	9,816
Unrestricted reserves							
Income and expenditure - unrestricted		25,900	(182)	25,718	38,320	(2,103)	36,217
Translation reserve		-	(308)	(308)	-	985	985
Revaluation reserve		2,964	-	2,964	2,875	-	2,875
Total reserves		46,177	2,472	48,649	58,508	1,844	60,352

Consolidated Statement of Cash Flows for the year ended 31 July 2019

	Note	Consolidated 2019 As reported £000	Consolidated Impact of adjustments £000	Consolidated 2019 Restated £000
Cash flow from operating activities				
Loss for the year before taxation		**(27,753)**	**(1,575)**	**(29,328)**
Adjustment for non-cash items				
Depreciation and impairment of tangible fixed assets	12	12,397	18	12,415
Amortisation and impairment of intangible fixed assets	11	-	-	-
Gain on restatement of tangible fixed assets in overseas entities	12	(205)	-	(205)
Increase in fixed asset investments	13	(960)	-	(960)
Decrease/(increase) in stock	14	-	2	2
Decrease in debtors	15	4,813	(1,616)	3,197
Decrease/(increase) in creditors within one year	16	(781)	2,556	1,775
Decrease/(increase) in creditors after one year	17	(1,134)	410	(724)
Increase in provisions	18	44,116	-	44,116
Gain on investment land revaluation	13	150	-	150
Actuarial loss in respect of pension schemes	18	(6,976)	-	(6,976)
Increase in cumulative translation of overseas operations		-	331	331
Adjustment for investing or financing activities				
Interest receivable	5	(1,357)	-	(1,357)
Net return on pension assets	26	679	-	679
Interest payable	8	3,594	-	3,594
Gain on disposal of tangible fixed assets	12	2	-	2
Net amounts drawn down		(1,723)	-	(1,723)
Cash inflow from operating activities		24,862	126	24,988
Taxation	10	49	(1)	48
Net cash flow from operating activities		24, 911	125	25,036
Cash flows from investing activities				
Payments to acquire fixed assets	12	(25,229)	(45)	(25,274)
Payments to acquire fixed asset investments	13	(2,291)	-	(2,291)
Payments to acquire intangible assets and goodwill	0	(1,165)	-	(1,165)
Proceeds from sale of fixed assets and investments	13,12	(2)	-	(2)
Interest receivable	5	1,357	-	1,357
Disposals of fixed asset investments	13	4,047	-	4,047
Net return on pension assets	26	(679)	-	(679)
		(23,962)	(45)	(24,007)
Cash flows from financing activities				
Interest payable	8	(3,594)	-	(3,594)
Disposal of current asset investments		-	-	-
Net amounts drawn down		1,723	-	1,723
		(1,871)	-	(1,871)
(Decrease)/increase in cash and cash equivalents in the year		(922)	80	(842)
Cash and cash equivalents at beginning of the year		77,365	-	77,365
Cash and cash equivalents at end of the year		76,443	80	76,523

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