



Reports and Financial Statements For the year ended 31 July 2024



Welcome and Principal & Vice-Chancellor's Report



*Professor Richard Williams, OBE FREng FTSE FRSE,
Principal and Vice-Chancellor*

Principal & Vice-Chancellor's Commentary Annual Report 2023/24

It is my pleasure and privilege to introduce our Annual Report for the 2023/24 year. Our mission, as a University with an acute sense of purpose, is to have global impact, to display leadership, and to enrich society through public service. These have all been especially accentuated during the past year, with our University's achievements prominent in all its respective geographies.

As has been widely reported in the press, universities in the UK are facing existential threats, including (but not limited to) declining government funding in real terms, visa restrictions leading to decreased international students, and the effects of inflationary changes such as the increase in employer's national insurance. We are not immune from these challenges, but the characteristics of our university mean that we are in a strong position to face them, given our track record in graduate employability, our close relationships with industry, the growth of our global footprint, and our pioneering work with non-traditional learners. Our strategic focus on reducing our dependence on direct government funding, including our deliberate past investment in international and transnational education, means that we are less sensitive than others to the budget restrictions announced by the Scottish Government. We will continue to prioritise efficiency, cash management and aligning our resources to focus on our strengths, while investing in growth from our diverse and innovative educational offerings, including digital transformation and research partnerships. These efforts, coupled with our global campus network and emphasis on equipping graduates with skills highly valued by employers, will enable us to navigate these external pressures while advancing our mission to deliver high-impact, world-class education and research.

We were very proud to see our Chancellor, Emeritus Professor Sir Geoff Palmer, receive the highest order of chivalry in Scotland in July 2024 when he became a Knight of the Most Ancient and Most Noble Order of the Thistle, in recognition of his services to education and equality. He joins a previous much-loved Chancellor, Lord Mackay, in being one of the sixteen incumbents of this order. Sir Geoff was also honoured in being one of the ten portraits commissioned by His Majesty the King to commemorate the 75th anniversary of HMT Empire Windrush's arrival in Britain. *Windrush: Portraits of a Pioneering Generation* was displayed in the National Portrait Gallery in London from October 2023-April 2024, and is now in the permanent collection of His Majesty.

In Malaysia, Datuk (Dr) Nicol Ann David was appointed Pro-Chancellor in May, and installed in a graduation ceremony in July. A former world number one professional squash player and one of Malaysia's most celebrated sports icons, her passion for education and drive for success will support her role as the honorary head of the University in Malaysia, taking over from Tan Sri Dr Jemilah Mahmood at the end of her term. We wish to record our grateful thanks to Tan Sri Jemilah, who was the first Pro-Chancellor of Heriot-Watt University Malaysia. In Dubai, our Pro-Chancellor Dr Raja Al Gurg has continued to support our campus and be present for all our major events, including the visit of His Majesty King Charles III, and has also, through a philanthropic gift, enabled the commencement of the restoration of Adam Smith's library at Panmure House.

Operational focus

Across Heriot-Watt University our focus has been on three areas: developing excellence, Achieving sustainable growth and Aligning people and processes

Developing excellence

Excellence in student experience across all our campuses is our unwavering goal. In partnership with our students the co-owned Student Partnership Agreement (SPA), which is renewed every year, has provided a fulcrum for our work on four main themes – Academic, Community, Sport and Wellbeing. This has been undertaken across all campuses, in ways appropriate to the different cultural needs and practices. I am especially grateful to the outgoing leadership of the Student Union (Scotland), Student Association (Malaysia), Student Council (Dubai) and Sports Union (Scotland) for their leadership and translation of the SPA to new officers in June 2024. We continue to work together to ensure that our whole student and University community can be supported amidst the geopolitical turbulence that continues across the world. Our focus on our commitment to student experience at all our campuses during the year has seen a much stronger response in the UK-based National Student Survey of final year undergraduate students and in our Strategic Performance Measure tracking satisfaction of all our student cohorts. In Malaysia, our students graduating during the year were the first to be given additional transcripts detailing their volunteering and community activities.

The University received the best possible outcome in its recent Quality Enhancement and Standards Review (QESR), a global external review conducted by the Quality Assurance Agency during February-April 2024. QESR was a truly global review: students and staff participated from all five campuses in meetings with the external review team. Progress in achieving federal accreditation of our programmes in the UAE by the Ministry of Education's Commission of Academic Accreditation (CAA) has continued apace, with accreditation being received for our engineering and our business degrees, and the remainder expected to follow during the next academic year. This will enable greater inclusivity of students from across the Middle East and access to new employers for our graduates.

Our Strategy 2025 strategic performance indicator of announced research income of £65m was achieved during the year, a testament to our decision to create and support our four Global Research Institutes. The quality of our doctoral supervision expertise was especially recognised by achieving approvals for an unprecedented eight Centres for Doctoral Training (comprising a full 10% of the national schemes).

Excellence in access and inclusion remains a differentiating strategic objective for us and this year we have again delivered our goals in our unique global inclusion policy, with 32.5% of our students accessing a Heriot-Watt education who might not have ordinarily been able to do so. Our overall goal for Strategy 2025 of 33% is expected to be exceeded in the current year.

Achieving sustainable growth

Amongst the major milestones achieved in line with our Strategy 2025 we have, in accordance with our Ten Institutional Commitments on sustainability (page 11), completed the first version of our Climate Action Framework that describes our ambition to lead-out in our organisational action and approach to mitigating climate change. This commitment was very visible during United Nations Climate Change Conference (COP 28), held in Dubai in December 2023, when we set up and ran a Climate Hub at our campus in Dubai to host multiple organisations who had sent representation to the summit. We used the opportunity to showcase over 20 CleanTech companies, a project funded by the UK's Foreign, Commonwealth & Development Office, and over 50 events including meetings of the United Nations Council of Engineers for the Energy Transition (CEET), roundtables of industry leaders, and a meeting of representatives of the Association of



Commonwealth Universities, led by their Secretary General. His Majesty King Charles III, accompanied by Foreign Secretary Lord David Cameron, and later joined by Scotland’s First Minister HamzaYousef, toured the CleanTech exhibition and formally opened our Dubai Campus building. Our commitment to leading out on energy transition has seen us develop a Climate Advocacy Course, to be launched next academic year, and to support a range of green technology innovations through our research that won multiple prizes at the Scottish Converge Challenge, Scotland’s premier enterprise competition.

Our commitment to excellence saw us establish, and develop further, several other research initiatives this year, including the work in Panmure House, part of the Edinburgh Business School, where Professor Håvard Halland joined us from the World Bank to work on sustainable finance, and in several global projects in the UK, Asia and Africa. In a year where we conferred an honorary degree on the President of Zambia, President Hakainde Hichilema, for his work in assuring universal education, Africa has been an especial focus for our University, including our support for new educational facilities in sustainable cooling in Rwanda, and student projects in Zambia to serve local agricultural communities.

Our newest School, the Global College, which provides access to a Heriot-Watt degree via a range of foundational programmes, contributed strongly to our growth, especially in our Dubai Campus, which is now operating at full capacity. To accommodate further growth in Dubai, we announced a plan to lease the adjacent building with the expectation that we will bring it into service in time for the 2025/26 academic year. Meanwhile growth in our transnational education activities, such as our new partnership with K. Zhubanov Aktobe Regional University in Kazakhstan, and our award-winning digital education division Heriot-Watt Online, saw the continued recruitment of Heriot-Watt students beyond our five global campuses.

Sustainable growth will also come from our alumni and supporters as we launch our first comprehensive fundraising campaign in the next financial year. The Campaign case for support was developed and specific outreach events for donors and alumni took place in the USA and Norway during the year.

Aligning people and processes

This year we saw the conclusion of our pilot Global Leadership Programme, designed to develop the next generation of leadership for the University, which takes place across all our campuses. We have committed to continuing with this programme, entry to which is competitive, and which we believe will ensure development opportunities for our most able colleagues. Our commitment to the development of our people includes their wellbeing – all staff globally have access to free counselling when needed, and we encourage and support staff activity including sports clubs. Access to sport is as important for staff as it is for students, and in Scotland they all now have access to the new Tennis Scotland facility that was opened at Oriam in February by Maree Todd MSP, Scotland’s Sports Minister.

With the lease on part of our Borders Campus due for renewal in 2026, we conducted a review of our activities there and, while we will continue to operate in our High Mill campus building in Galashiels, and indeed have committed to major capital expenditure to upgrade and repurpose it for students and staff, we have taken the decision to terminate our lease on the Borders College site and to seek further synergies between our Design activities and the core activity in our Edinburgh Campus.

In efficiency gains, our move to a data-driven operating model led to new data insights and more objective decision-making processes, while the digital transformation team drove a marked increase in service effectiveness in many of our professional services teams. Our finance team was strengthened, and we appointed our Interim Finance Director, Martin Pringle, as our new Global Chief Finance Officer.



Financial outturn

Our international student intake in Scotland this year was, as with all other UK institutions, below our expectations, even though we were one of only two Scottish universities to show an increase on the previous year. Given this unexpected decline in fee income, and the continued constraints on our Scottish Funding Council grant, our financial outturn for the year, while a £10.5m deficit (after removing the impact of the Universities Superannuation Scheme pension revaluation), was a notable achievement delivered through careful control of costs and increased income in areas outside of tuition fees, such as research. Our University’s Court and our executive leadership are committed to restoring the University to financial surplus, and thus ensuring economic sustainability, and the next two years will see a renewed focus on our goal of delivering impact and effectiveness with margin.

Post balance sheet events

Further accreditation by the Ministry of Education’s Commission of Academic Accreditation (CAA) in Dubai means that we now have 44% of the programmes that we offer in Dubai accredited. The TransiT Hub, a collaboration of eight universities and 67 partners jointly led by Heriot-Watt University in Edinburgh and the University of Glasgow, has secured £20m in funding from the UK Research and Innovation (UKRI) Engineering and Physical Sciences Research Council (EPSRC), the main funding body for engineering and physical sciences research in the UK. The contract with Coursera was signed, heralding the development of our new online programmes in computer science.

Future development

With 2025 now in sight, we have commenced the process of developing the next iteration of the University’s strategy, Strategy 2035, which will be largely completed by the conclusion of the 2024/25 year. We will continue to develop our four Global Research Institutes as convening platforms to bring together leading scholars within and outwith the University to solve the pressing challenges facing our world. We will launch our Campaign to support our research and our commitment to access and inclusion, ensuring that Heriot-Watt remains an institution driven by purpose and measured by impact.

Strategic *Report*

Our *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 by providing accessible work-based education, responding to the needs of business and industry, and building our global reach.

Our *teaching and research*

are structured around six academic schools:

- **School of Energy, Geoscience, Infrastructure and Society (EGIS)**
- **School of Engineering and Physical Sciences (EPS)**
- **School of Mathematical and Computer Sciences (MACS)**
- **School of Textiles and Design (SOTD)**
- **School of Social Sciences – incorporating the Edinburgh Business School - (SOSS/EBS)**
- **Global College, providing foundation pathways to our undergraduate and postgraduate degrees**



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 *values*

Inspire

curiosity to learn and find solutions that transform lives.

Collaborate

by working in partnership to shape the future whilst taking responsibility for our own actions.

Belong

to a diverse, inclusive and international community working together across boundaries and cultures.

Celebrate

excellence and take pride in the achievements of our students, staff and alumni.



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.

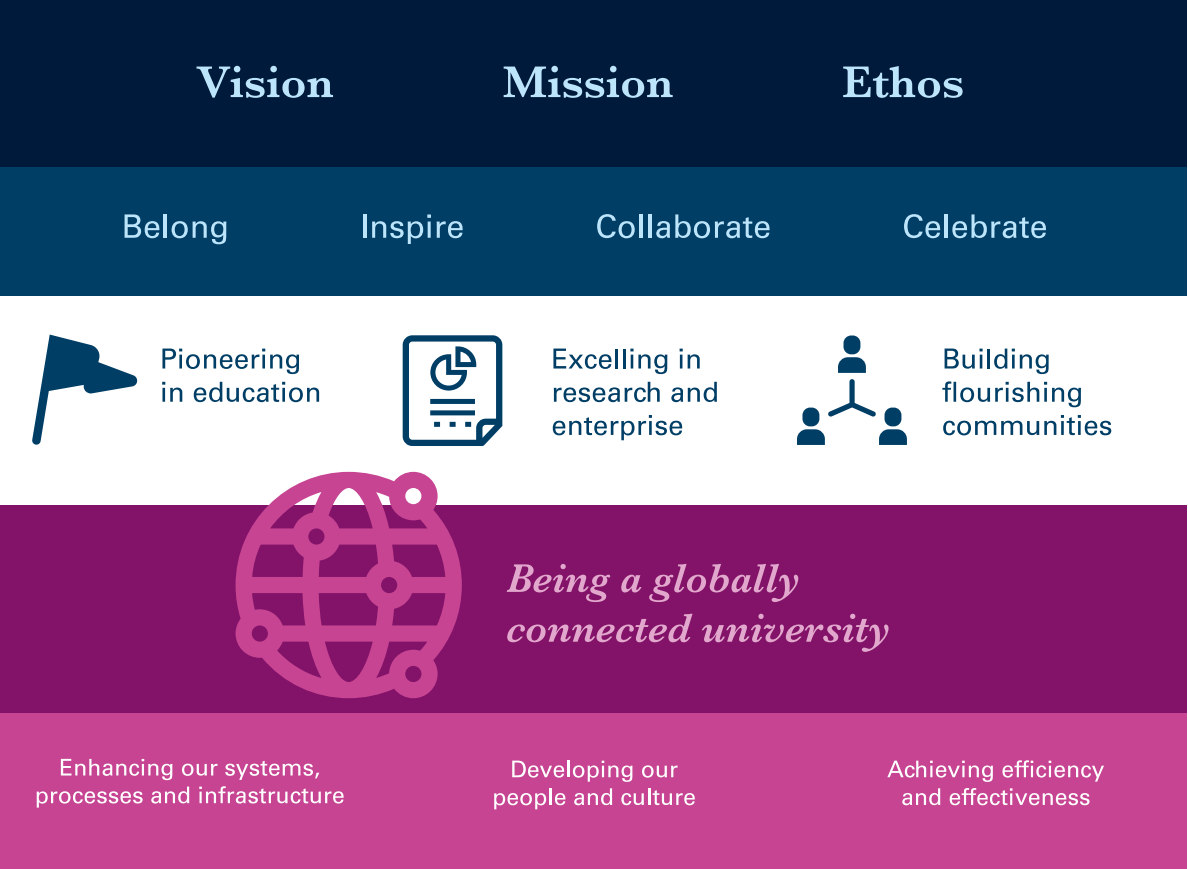
Our *ethos*

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.

Strategy 2025

Our progress as an ambitious, innovative and globally-connected university is driven by our Strategy 2025 – Shaping Tomorrow Together. Strategy 2025 is delivered through four themes, which are:

- **Building Flourishing Communities**
- **Pioneering in Education**
- **Excelling in Research and Enterprise**
- **Advancing as a Globally Connected University**

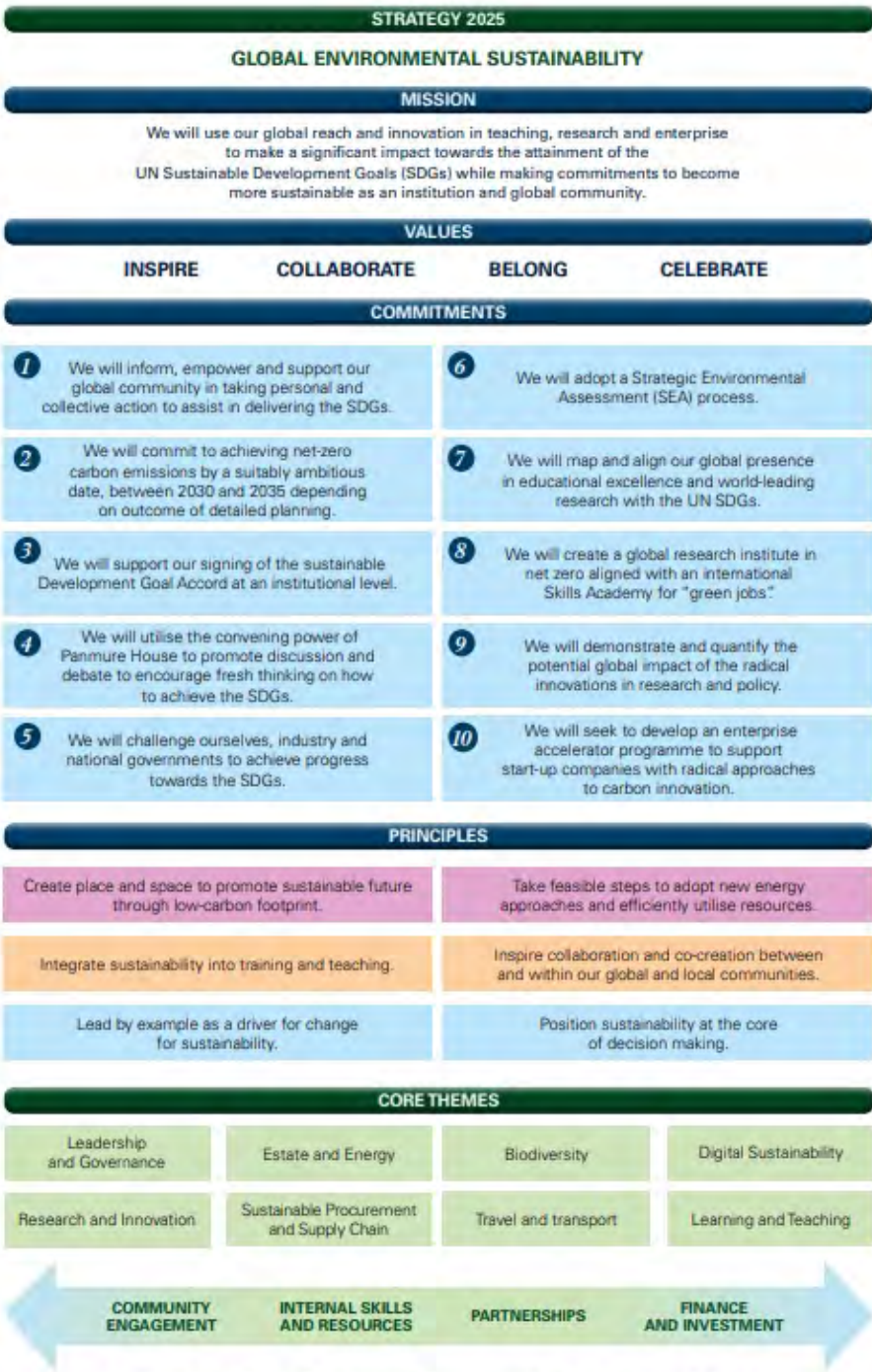


Environmental Sustainability

Heriot-Watt University’s approach to sustainability

Our Strategy 2025 is based on our heritage, our expertise, our relevance, and our global presence. It clearly shows our commitment to working together with our University community and partners to empower current and future generations with the knowledge and skills to become sustainability advocates while we each take responsibility for reducing our own impact on the environment around us.

The below depicts how our strategy translates into our mission, values, commitments and principles.



The Heriot-Watt University Ten Institutional Commitments form the basis of our delivery for Strategy 2025 and the UN Sustainable Development Goals.

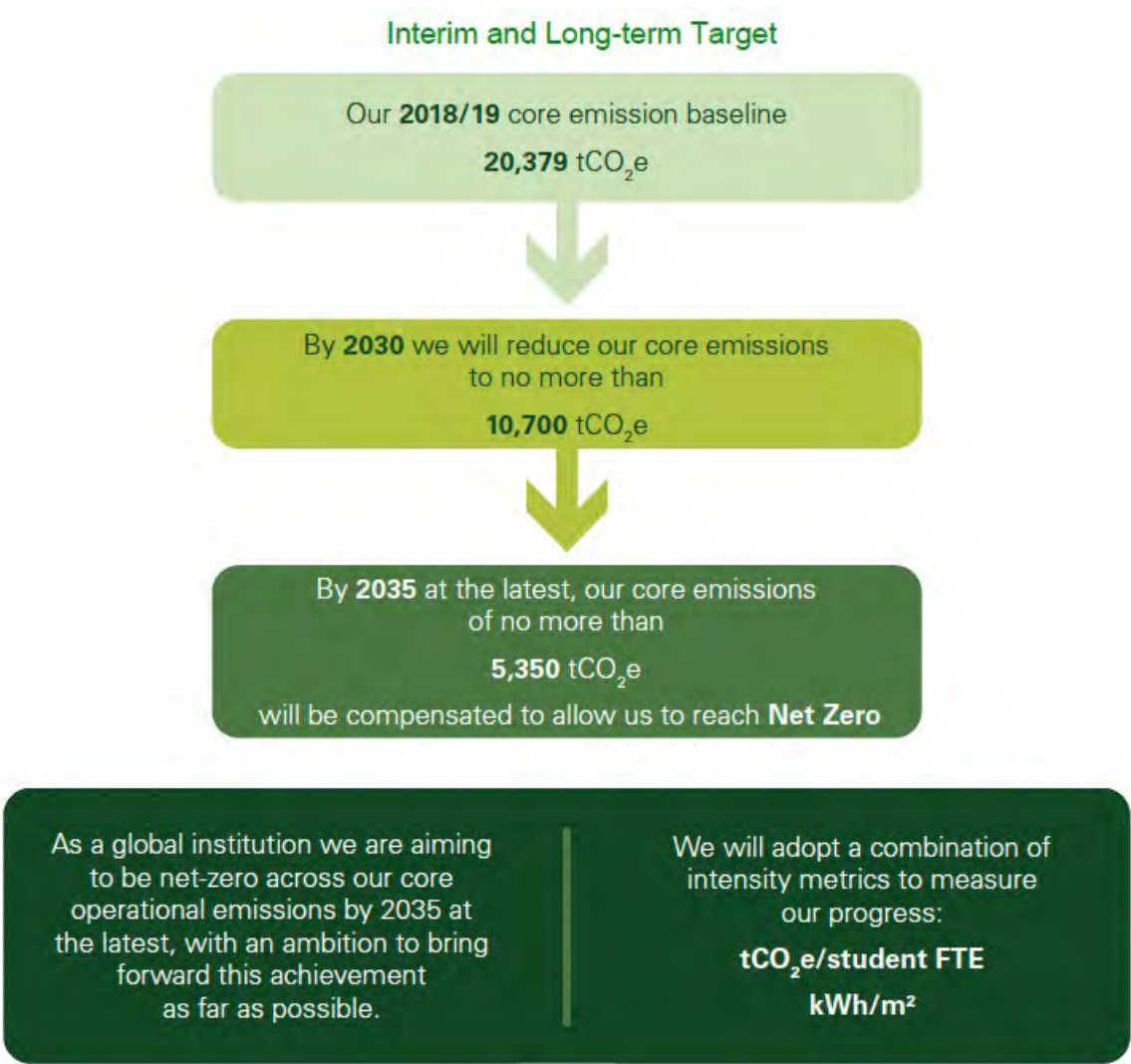
The delivery of our Global Environmental Sustainability Strategy will be driven through these commitments which are underpinned by six core principles. These in turn are reflected in our actions within eight core themes and four cross cutting themes.

Heriot-Watt University has positioned itself at the forefront of global climate action with our Ten Institutional Commitments which are driving actions for positive change. Achieving our sustainability ambition requires collaboration and co-development from across our global community. This year, we launched our bold and comprehensive Climate Action Framework that lays out our planned people-centred approach to addressing the pressing challenges of climate change and environmental sustainability. As a global institution with campuses in Scotland, Dubai, and Malaysia, Heriot-Watt has adopted a multifaceted approach that integrates emission reduction strategies, community engagement, research, and innovation. The goal is to achieve net-zero carbon emissions across our operations by 2035, with an ambition to reach this target even sooner. The University’s framework outlines our approach to net-zero, emphasising key themes and initiatives that drive our sustainability agenda.

To oversee this, the University has established the University Committee on Global Environmental Sustainability, chaired by the Deputy Principal for Global Sustainability, which reports directly to the University Executive, and through that body to the Court of the University. The Committee meets quarterly and its decisions and actions are reported through the usual governance cycles. Its Terms of Reference were signed off in June 2024 and the first committee meeting took place in September 2024.

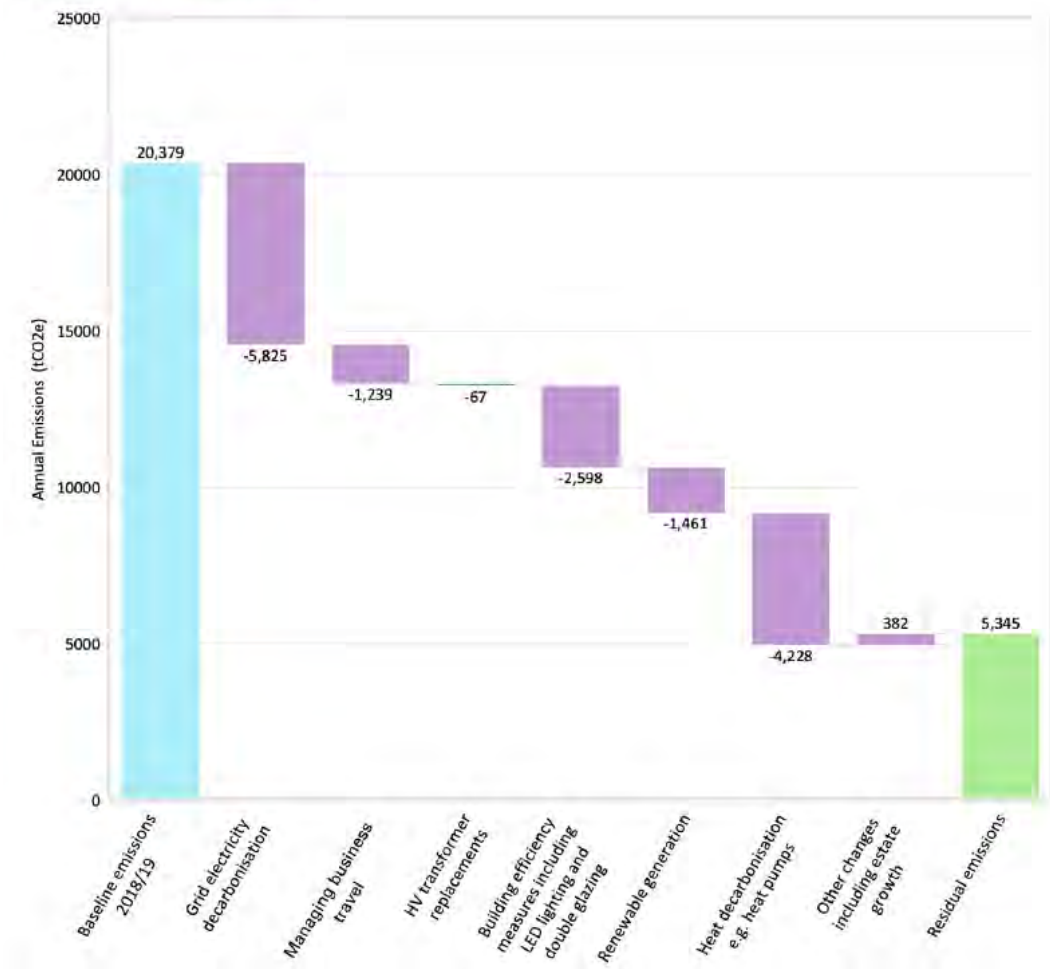
A Clear Vision for Net-Zero

At the core of Heriot-Watt’s sustainability strategy is our ambition to becoming a net-zero institution by 2035 at the latest. This ambitious target aligns with the Intergovernmental Panel on Climate Change (IPCC) recommendations for rapid emission reductions to limit global warming to 1.5°C. Heriot-Watt has established a 2018/19 baseline of 20,379 tCO₂e across all our campus locations and aims to reach net zero by 2035 at the latest through a combination of internal actions and external collaborations. By 2030, the university plans to cut its core emissions to 10,700 tCO₂e, and by 2035, it aims to reduce them further to 5,350 tCO₂e. We are carefully considering any residual emissions to ensure we maximise environmental and socio-economic co-benefits.

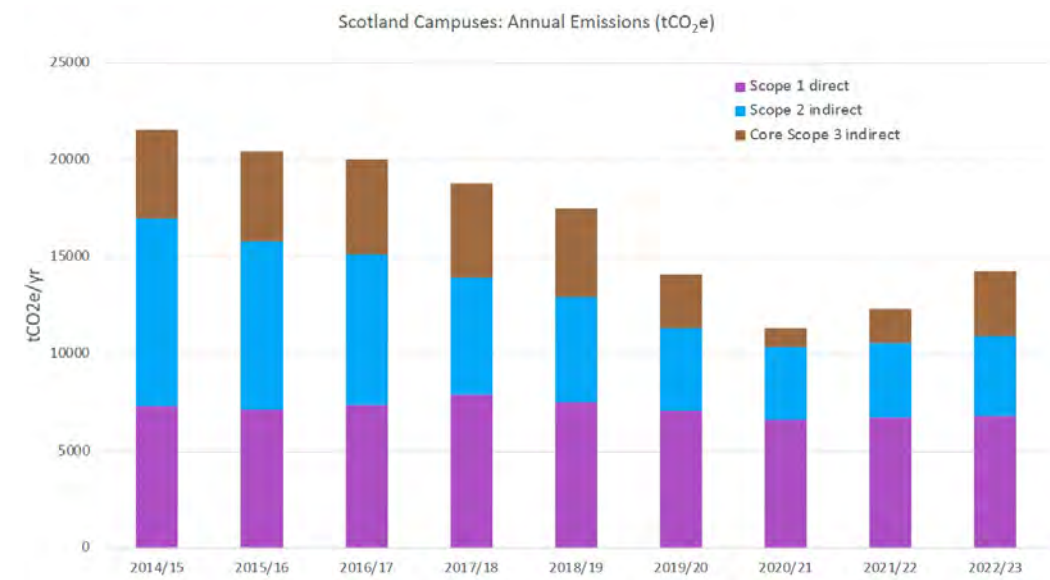


The following graph shows the expected steps to be taken and the impact these should have in carbon reduction in order for the University to meet it’s goal.

Net-zero waterfall chart



Scotland campus annual emmisoins



	Emission Sources Overview	
	Within our core net-zero commitment	Broader operational impact: focus on capacity building and dedicated action plans
Scope 1	These are direct emissions- from sources directly within our control - and include emissions from our use of fuels (for example natural gas, LPG and gas oil) and fugitive emissions of greenhouse gases (for example leaks of refrigerant gases).	All energy-related Scope 1 emissions fall within our core net-zero commitment.
Scope 2	These are indirect energy emissions that result from our activity but are from sources not under our direct control, for example emissions associated with the generation of the grid electricity and district cooling we use.	All Scope 2 emissions are considered within our core net-zero commitment.
Scope 3	Scope 3 emissions are indirect, value chain emissions associated with our activity. Our core net-zero commitment includes Scope 3 emissions from business travel, water consumption / wastewater disposal and waste.	Our broader Scope 3 emissions are associated with commuting travel, student travel prior to and after the period of study with Heriot-Watt, and all other procured goods and services.

Our 2018/19 core emission baseline: 20,379 tCO ₂ e							
Scope 1 Direct emissions		Scope 2 Indirect energy emissions		Scope 3 Indirect value chain emissions			
Natural gas and other fuels	Fugitive gases	Purchased electricity	Purchased cooling	Business travel	Water and wastewater	Waste	Electricity distribution losses
7,512 tCO ₂ e	135 tCO ₂ e	7,147 tCO ₂ e	212 tCO ₂ e	3,944 tCO ₂ e	299 tCO ₂ e	530 tCO ₂ e	600 tCO ₂ e

Emission Reduction Pathways and Core Themes

Heriot-Watt’s Climate Action Framework is structured around eight core themes that collectively drive the institution’s efforts toward net-zero and deliver our Ten Commitments. Each theme encompasses a set of specific actions and projects designed to address different aspects of sustainability:

- 1. **Leadership and Governance:** This theme emphasises the integration of sustainability into the University’s decision-making processes. A University Committee for Global Environmental Sustainability has been established to oversee progress and ensure that sustainability principles are embedded in relevant policies and planning frameworks.
- 2. **Estate and Energy:** A significant portion of Heriot-Watt’s emissions comes from its buildings and energy use. The University is focused on optimising energy efficiency, transitioning to renewable energy sources, and implementing heat decarbonisation projects across its campuses. Potential initiatives being explored include the installation of solar photovoltaic systems, replacement of high-emission heating systems with low-carbon alternatives, and extensive retrofitting of buildings to reduce energy demand.
- 3. **Biodiversity:** The University recognises the importance of protecting and enhancing biodiversity within its estates. We are updating our Biodiversity Action Plan that focuses on preserving and promoting natural habitats, such as the living green roof on our Malaysia Campus and initiatives to enhance green spaces across all campuses.
- 4. **Digital Sustainability:** In the digital era, sustainable technology use is critical. Heriot-Watt is committed to incorporating sustainability into its digital strategy, ensuring that the climate impact of technology decisions is considered and minimised, as well as fair to all.
- 5. **Research and Innovation:** The University leverages its research capabilities to pioneer groundbreaking solutions for sustainability. Through its Global Research Institute, iNetZ+, and its involvement in initiatives like the UK Industrial Decarbonisation Research and Innovation Centre (IDRIC), Heriot-Watt is driving forward research that addresses key challenges related to net-zero transition.
- 6. **Sustainable Procurement and Supply Chain:** To reduce Scope 3 emissions (indirect value chain emissions), we are embedding sustainability criteria within our procurement processes. This includes responsible sourcing, developing specific strategies for high-impact supply categories, and engaging suppliers in achieving sustainable outcomes.
- 7. **Travel and Transport:** Reducing emissions from travel is a crucial aspect of the framework. Heriot-Watt has completed a travel survey and will subsequently be publishing an updated travel plan before the end of 2024. A Sustainable Business Travel Policy will also be discussed to manage and reduce travel-related emissions. The forward plans also include details for transitioning all non-specialist vehicles to zero-emission alternatives by 2025/26 and promoting active travel and low-emission commuting options for staff and students.
- 8. **Learning and Teaching:** The University aims to further embed sustainability into its curricula, offering a climate advocacy course and developing internship programs focused on sustainability. This effort is intended to equip students with the skills and knowledge needed to drive positive environmental change in their future careers.

Community Engagement

Recognising that sustainability is a collective effort, Heriot-Watt places a strong emphasis on community engagement. The University is developing a Net Zero Community Hub to foster dialogue, collaboration, and action among students, staff, alumni, and external partners. This initiative aims to inspire and empower all members of the Heriot-Watt community to contribute to the University’s net-zero goals and broader sustainability objectives.

Heriot-Watt University’s Global Environmental Sustainability team launched the Student Sustainability Forum in 2023 in collaboration with the Student Union. The forum has created a space for dialogue on student-selected topics, bringing together staff and students to address the climate crisis. To date the topics explored include the Climate Action Framework, recycling and food waste, and the discussion outcomes will inform the newly formed University Committee for Global Environmental Sustainability. The forum is a finalist in the Student Engagement Category for the 2024 Green Gown Awards UK and Ireland. The awards, delivered by The Environmental Association for Universities and Colleges (EAUC) in partnership with UK Research and Innovation (UKRI), celebrate sustainability initiatives in universities and colleges aimed at becoming more socially responsible.



A Broader Role in Climate Action

Beyond its operational focus, Heriot-Watt recognises its broader role in driving climate action on a global scale. The University aims to leverage its research, teaching, and policy influence to support transformative change beyond its campuses. By quantifying the impact of its radical innovations in research and policy and setting ambitious targets, Heriot-Watt is committed to being a catalyst for systemic change.

Summary

Heriot-Watt University’s Climate Action Framework demonstrates a comprehensive, strategic approach to sustainability. By integrating ambitious emission reduction targets with a wide range of initiatives across governance, operations, research, and community engagement, the University is positioning itself as a leader in the transition to a sustainable, net-zero future.

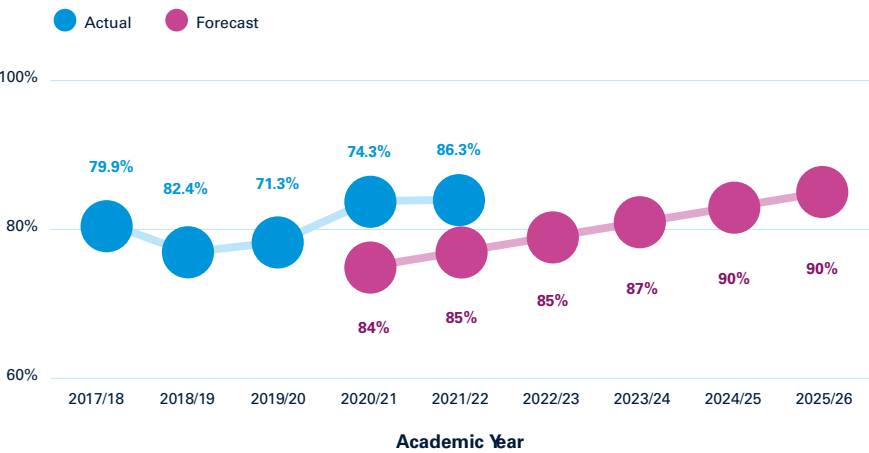
Our four strategic themes:

Pioneering in education

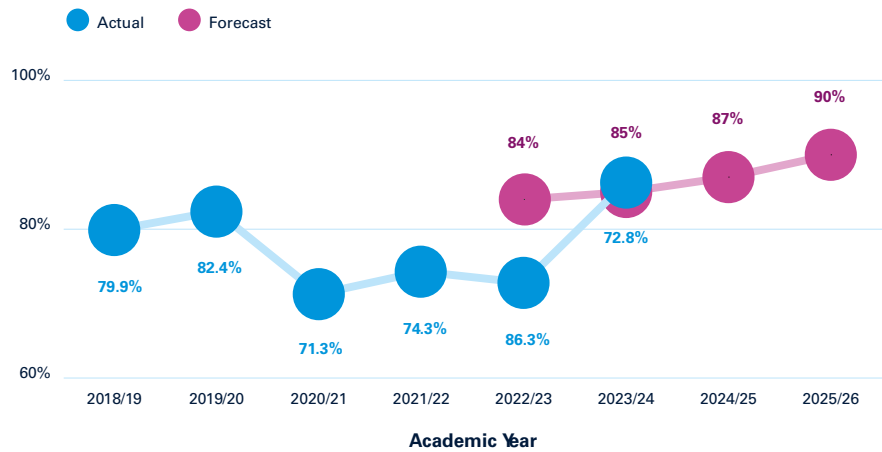
Heriot-Watt University has been a pioneer in education since it was established in 1821, delivering its initial classes in the evenings to allow working people to access its programmes. This year we were able to deliver all three of our performance indicators in this strategic theme, with Inclusion & Wider Access, Student Satisfaction and Graduate Outcomes all on track and forecast to achieve the goals set in Strategy 2025.

Delivering excellence

University is, for almost all our students, a staging post to life beyond graduation, and we were therefore pleased and delighted to be named 1st in Scotland and 2nd in the UK for graduate outcomes in the 2024 survey. This measures graduate outcomes 18 months after graduation and shows that Heriot-Watt is maintaining its original mission of preparing our students well for the workplace. Pleasingly, this result was reflected in both undergraduate and postgraduate outcomes.



We are also pleased to see a considerable improvement in our student satisfaction scores across the University with the National Student Survey (NSS) score up to 74.4% from 66.2% in the prior year. The NSS is a survey of final year undergraduates in the UK only, which had been disappointing in the two years prior. Within the NSS, as a University that is committed to a just energy transition, we were delighted to be ranked 1st in the UK for Chemical, Process and Energy Engineering. In the feedback from the national Postgraduate Taught Experience Survey (PTES), where for the first time we included our distance learning students, we



were delighted that they scored an even higher level of satisfaction than the already high 82% of our overall postgraduate body. A renewed focus on the student experience, and with a number of new initiatives to provide faster and more consistent responses to student needs, led to us restoring progress towards our Student Satisfaction targets in Strategy 2025.

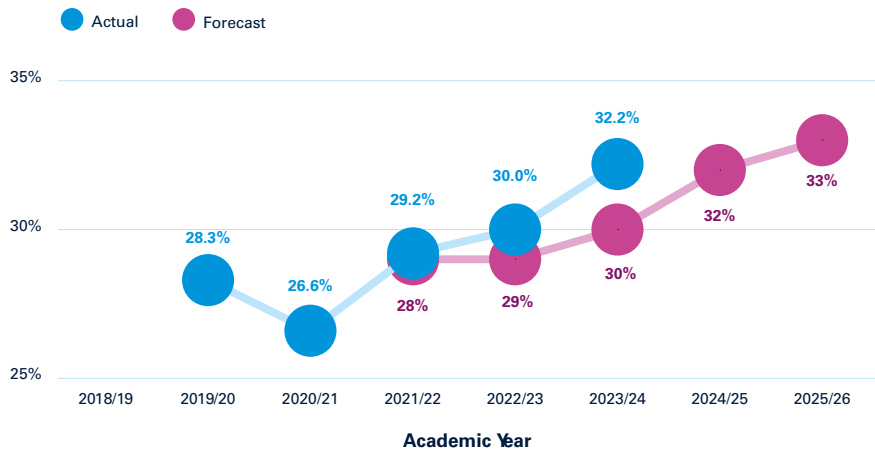
Assuring sustainable growth

As a global University we are unique in enabling our students to transfer between campuses on demand, a facility that we describe as ‘Go Global’. This year saw Go Global return to its pre-pandemic levels as more and more students took advantage of this very special opportunity to live temporarily in another country and experience life as a student there. Our Malaysia Campus celebrated the 1,000th student from that campus transferring to our Edinburgh Campus, and that student was presented with a commemorative certificate by our University Secretary, Ruth Moir, at a special event to mark the occasion.

Aligning people and processes

Every year, since 2018, members of staff from across the University and our Student Representative Bodies (Student Union – Scotland, Student Council – Dubai, Student Association – Malaysia) have worked in partnership to develop a global Student Partnership Agreement (SPA), a set of shared objectives to enhance the student experience. The SPA is shaped by a number of influences: the manifestos of the elected student leaders, internal and external survey data, and recommendations from both internal and external reviews. We have worked with student representation across all three countries to align their priorities which are currently relieving financial pressure, empowering and building communities, and improving access to education and recreation.

We are very aware that the student experience at any University can be affected by the interaction they have with the people and processes that exist within that University. This year we have sought to deliver a better experience through hiring dedicated student experience advisors, initially on our Edinburgh Campus and initially for our largest School, the School of Social Sciences. This has moved the administrative burden from our academic colleagues and enabled a more responsive, dedicated function to support our students as they navigate their programmes and access support, if necessary, at times of personal challenge such as illness. Positive feedback on this pilot from both students and staff has led to the expansion of the initiative to our other schools and we are aiming for this level of service delivery to be available for all our students across all our campuses.



Excellence in Research and Enterprise

Heriot-Watt University remains committed to developing an enterprising research culture that values innovation, collaboration, and excellence. This year we have achieved our Strategy 2025 goal of obtaining contractual commitments of £65m research income and are well positioned to build on our success as we lay the groundwork for Strategy 2035. The strategic industry partnerships that we have deliberately sought out and developed over the years have proved to be the foundations of our academic success – record numbers of companies supported our research during the year, which in turn led to outstanding success in grant applications.

Developing excellence

We maximise our impact through our four Global Research Institutes (GRIs) providing a clear focus on addressing three major areas – disruptive technologies such as AI, robotics and quantum technology, the challenges presented in health and care technologies presented by an ageing population, and the pressing need to address the threat of climate change. 2023/24 saw the growth of all four GRIs: Health and Care Technologies, iNetZ+ (Net Zero and Beyond), The Lyell Centre, and The National Robotarium. Through providing dedicated centres of excellence that bring together leading experts from across our Schools, cutting-edge technology, and industry partners to address global challenges and drive innovation, we have empowered our research leaders to secure unprecedented levels of funding.

Our frontier research drives research excellence in groundbreaking scientific areas that will underpin the opportunities of the future, creating the knowledge needed to address future challenges whilst catalysing new opportunities that will lead to future job creation.

We saw significant success this year in our frontier research field of quantum. The University was chosen to lead a groundbreaking new quantum research hub that aims to develop technologies to progress an ultra-secure ‘quantum internet’ of the future. The Integrated Quantum Networks (IQN) Hub is one of five new quantum technology hubs announced by the UK Government as part of a £160m investment to ensure the UK remains at the forefront of these revolutionary technologies. The IQN Hub brings together a network of over 40 non-academic collaborators, ranging from startups to multinational corporations, alongside organisations like the National Cyber Security Centre and Scottish Enterprise. It will receive over £20m in partner support to help translate quantum innovations into new products and services.

The five new quantum hubs are being delivered by the UK Research and Innovation (UKRI) Engineering and Physical Sciences Research Council (EPSRC), with a £106m investment from EPSRC, the UKRI Biotechnology and Biological Research Council, UKRI Medical Research Council, and the National Institute for Health and Care Research. Industry collaboration is a key element, with significant cash and in-kind contributions from partners worth more than £54m. Through deep excellence across our University, we will be involved in 80% of the five hubs announced by the UK Government.

Professor Mehul Malik’s groundbreaking work in quantum communication, recognised by the Blavatnik Award for Young Scientists, exemplifies the University’s leadership in this field.

Aligning people and processes

Aligned with our integrated enterprising research approach, during the year, the teams in Research Engagement, and Business and Enterprise, together launched a service level catalogue to enhance academic engagement.

During the year, we have significantly enhanced our doctoral training programs with the establishment of six new Centres for Doctoral Training (CDTs), increasing the total to eight. These CDTs, supported by the Engineering and Physical Sciences Research Council (EPSRC), focus on critical areas such as artificial intelligence, quantum technologies, and sustainable industrial futures. Heriot-Watt leads on the following:

- The EPSRC Centre for Doctoral Training in Green Industrial Futures, led by Professor Mercedes Maroto-Valer, which is dedicated to advancing green technologies.
- The EPSRC Centre for Doctoral Training in Use-Inspired Photonic Sensing and Metrology, led by Professor Derryck Reid, which focuses on photonic technologies essential for sensing and measurement applications.
- The EPSRC AI Centre for Doctoral Training in Dependable and Deployable AI for Robotics, led by Professor Ron Petrick.

Collectively, these centres are set to train over 600 PhD students, contributing significantly to the University’s research capacity, and making up 10% of all such places nationally.

In quantum technologies, Heriot-Watt is a major leader in four of the six funded Quantum Technology Hubs, with Professor Gerald Buller leading the Integrated Quantum Networks (IQN) Hub which will deliver an ultra-secure ‘quantum internet’ of the future. Professor John Travers was awarded a 10-year funded Chair in Emerging Technology by the Royal Academy of Engineering to develop sources of attosecond ultraviolet, X-ray and electron beams. This technology will provide the ability to manipulate and probe matter with unprecedented temporal and spatial resolution and will be exploited for scientific research and advanced industrial applications. This award to Professor Travers is the third such award by the Royal Academy of Engineering to staff at Heriot-Watt which, with the award of several five-year research fellowships is an indication of the internationally leading research in Heriot-Watt. The University is also leading a consortium of universities to deliver a new national hub, the TransiT Hub, which is focused on rapidly decarbonising transport in the UK, including road, rail, air and maritime. This hub has been awarded £46m from a combination of the UK Government and almost 70 commercial stakeholders across the digital, energy and transport sectors, including transport operators, regulators, vehicle makers, technology companies and energy suppliers. The collaboration is thought to be one of the largest transport consortiums of its kind.



Achieving sustainable growth

We continued to grow through the strategy of creating innovative new partnerships with international academia and industry. These agreements underscore the University's mission to foster an enterprising research culture, particularly by enhancing collaboration between industry and our schools, as well as our Global Research Institutes (GRIs). They include:

- **Accelerating Cutting-Edge Medical Research**

We signed a Memorandum of Understanding with the Association of British HealthTech Industries (ABHI) to accelerate advancements in medical research and to fast-track the development of cutting-edge medical solutions.

- **Driving Transformative Sustainability Solutions**

In collaboration with CGI, one of the world's largest IT and business consulting services firms, we are set to drive transformative sustainability solutions as part of a UN-backed initiative.

- **Combatting Climate Change**

A groundbreaking alliance has been formed with the University of Houston to facilitate transatlantic collaboration on combatting climate change and developing new solutions to empower a just energy transition.

- **Advance AI and machine learning research**

A pioneering partnership with Mohamed bin Zayed University of Artificial Intelligence (MBZUAI) with the ambition to create a Centre for Doctoral Training (CDT).



These partnerships are pivotal for advancing our research and play a crucial role in enhancing Heriot-Watt's enterprising research culture. They help to bolster key priority areas such as empowering research-based careers, championing collegiality, and enhancing the recognition, openness and integrity of our research. By fostering an environment that values collaboration and innovation, the University is paving the way for significant advancements in its chosen research fields. In 2023/24 almost 300 different organisations engaged with us in research, enterprise and talent development initiatives. In research and enterprise alone, a total of 56 projects were supported by our industry partners.

Our entrepreneurial ecosystem has flourished, bolstered by initiatives like the Barclays DeepTech Launchpad, which this year has supported six companies, and the Entrepreneur-in-Residence program. Our entrepreneurs were among the CleanTech companies who showcased their innovations during the 28th United Nations Climate Change Conference (COP 28) in Dubai through an interactive and digital exhibit. The Showcase was supported by the Foreign Commonwealth and Development Office (FCDO) who will provide ongoing business development support to the CleanTech companies well beyond COP 28.

Our emergent companies were prominently featured in the Converge Challenge, Scotland's premier enterprise competition. In 2023/24 we secured three winners: ROCKIT Technology (supporting net zero ambitions through locking greenhouse gases deep underground), Fantasy Fibre Mill (connecting regenerative agriculture to ethical fashion) and Yailab (an AI-empowered platform which uses data to better estimate the health of large batteries used for grid applications).

We also took a major step towards creating a 'space cluster' at the Edinburgh Campus with Edinburgh City Council approving milestone plans for a £2.5m, state-of-the-art telescope station at the University's Research Park on the western outskirts of the capital. The Hub Optical Ground Station (HOGS) will demonstrate and test satellite quantum secure communications to counter cyberattacks and is part of a collaboration with the Universities of Bristol, Heriot-Watt, Strathclyde, and York, with space engineering expertise provided by the Science and Technology Facilities Council's RAL Space Facility.

Overall, our strategy of focusing our work in four key challenge areas and aligning ourselves with the key organisations operating in each area of our expertise, has proved to be an effective catalyst for growth and impact, and we will continue to pursue this approach in the years to come.

Building Flourishing Communities

What makes our University flourish is, more than anything else, the people that work for it. We are committed to supporting our staff and enabling them to achieve personal growth and job satisfaction while maintaining their wellbeing.



Delivering excellence

Our staff engagement survey took place in October 2023, and we were pleased that across the University, our levels of engagement (72%) were maintained and that we scored highly in areas of wellbeing. All teams across the University have spent time analysing the outputs of the survey and creating meaningful action plans to drive further engagement across the institution. We continue to consider the drivers of engagement at Heriot-Watt University in our strategic planning and decision-making and this will be a key element of our strategic workforce planning approach as we continue with the development of Strategy 2035.

We had our most successful People Awards yet, with one-third of our colleagues being nominated for an award. The awards were presented as part of Celebration Week in June when the university came together across all its campuses to showcase and recognise the inspiring contributions from colleagues across our global institution, demonstrating a cross-institutional, globally connected way of working.

In October 2023 we were very proud, in a ceremony at Edinburgh Castle, to be awarded The Gold Award of the Defence Employer Recognition Scheme, which is the highest badge of honour available to organisations that pledge, demonstrate or advocate support to the Defence and the Armed Forces Community – including Reservists, service leavers, Cadet Force Adult Volunteers and their families.

Musical excellence has always been a focus on the Edinburgh Campus and under the leadership of our new musical director, Matthew Brown, we saw a number of outstanding performances during the year, including a joint production with the Student Union of the musical *Legally Blonde*. A new wind band has been established, which played at our Edinburgh open days, and the choir continued to support all our graduation ceremonies.

The University continues to support the operations of Heriot-Watt Services who operate The Oriam, Scotland’s National Performance Centre. This support is provided in recognition of the importance of the mental and physical wellbeing of its student, staff and of the wider community

Achieving sustainable growth

This year saw the inaugural cohort of our Global Leadership Programme, which we developed and launched in the prior year to develop our next generation of leaders, complete their programme in February, with the final week being held on our Malaysia Campus. While this was regarded as a pilot cohort, following the very positive feedback we have received, we have committed to continuing the programme every 18 months and the next cohort was recruited in June to start in the next financial year.

Aligning people and processes

During the year we have started to develop new pathways for academic promotion, to enable staff focusing in areas other than research, i.e. in academic administration and in knowledge exchange, to develop their careers, and these are expected to come into use during the following year. In partnership with our colleagues in the University branch of University and College Union (UCU) we developed a new statement of Fair Work, outlined later in this report, which we believe goes far beyond a box-ticking exercise to be an embodiment of our values.

In consultation with our UCU colleagues we published our new workload principles. Heriot-Watt aims to be a university where all academic colleagues can thrive academically, develop their careers and deliver excellence in all that they do. As a values-led and purposeful organisation it is essential that, whilst delivering the strategy and mission of the University, all staff can commit meaningful time to all aspects of their academic endeavour and personal development and that the allocation of work is transparent and fair. Each School is now developing a more detailed proposed model for their School.

We were pleased that the long-running pension dispute was concluded in October 2023, and was resolved in line with the joint statement that we had issued with our UCU branch in June 2023 during the previous financial year.

At the request of the Remuneration Committee, we designed a new reward framework for our leaders, enabling closer links between performance and reward. Following a review of our reward policy, and benchmarking studies in Dubai and Malaysia, we undertook changes in our reward policies across all campuses, including raising the top of the grades 5-9 in Scotland, adjusting the reward levels in Malaysia and increasing accommodation allowances in Dubai, where we also introduced improved maternity and paternity leave policies.

We have developed a new Management and Leadership Framework in and across Schools, which has seen Deputy Executive Deans coming into post with specific portfolios including e.g. responsibility for staff experience, which is driving benefit for colleagues and students.

Our Global Equality, Diversity & Inclusion (GEDI) Committee continued to work on advancing global equality, diversity and inclusion across all our locations, recognising that we operate in multiple jurisdictions but remain consistent in our commitment to respect all who make up our Heriot-Watt community.

Being a Globally Connected University

Representatives from all our campuses were present during the 28th United Nations Climate Change Conference (COP 28) in Dubai, when the University hosted a Climate Hub including a CleanTech exhibition and research displays from across our four Global Research Institutes. His Majesty King Charles III visited our Dubai Campus to officially open the new campus building, tour the exhibition, and meet with students and staff. He also met with a roundtable of entrepreneurial businesses working towards net zero, and the Secretary General and representatives of the Association of Commonwealth Universities. Over 1,500 international guests visited the Climate Hub during COP 28 and it was the base for 34 different organisations who held over 50 events.

In Malaysia, we welcomed the appointment of Mr Andrew Sill as the Chair of our subsidiary Heriot-Watt University Malaysia, effective 1 May 2024. Andrew brings with him over three decades of experience as an international banker across diverse markets including Malaysia, Singapore, India, Thailand, Indonesia, and the United Kingdom, and a wealth of expertise in strategic leadership, cross-border connectivity, and revenue growth.

Achieving sustainable growth

We continued to develop the groundwork for our first global fundraising campaign, designed to support and assure sustainable growth, building the case for support and agreeing the timetable for a public launch in the next financial year. The US non-profit organisation, the American Friends of Heriot-Watt University, led by its new President, Heriot-Watt alumnus Mr. Bryan Milton, met three times during the year and is now fully engaged in fundraising activity to raise philanthropic gifts for the purposes of scholarships and other student support enrichment initiatives at our University. As mentioned in the Principal's report, through a generous philanthropic gift, our Pro-Chancellor in Dubai, Dr Raja Al Gurg, enabled the establishment of the library restoration project at Panmure House, bringing back to public display copies of the books that Adam Smith owned and kept there during his lifetime.

With over 166,000 graduates in over 190 countries, our alumni community is the University's largest stakeholder group. This year, we continue developing our community's ties throughout the world, securing support to help the University in achieving our strategic objectives. We are proud to report that over 50% of our contactable alumni are engaged with the University, which is up from 30% in 2017. Our commitment to global alumni engagement saw us hold and support over 30 alumni events in 2023 with over 1,900 registrants – in UK, Dubai and Malaysia and strategic locations including the US, India, China, Hong Kong, Saudi Arabia, Qatar, Kuwait and Norway – plus summer and winter graduations across all campuses. These events have contributed to building the reputation of the University, aligning with student recruitment objectives and fundraising activities, while connecting with our alumni and One Watt community.

The University has been working closely with the Watt Club President and the Watt Club Council to undertake a more strategic role. Court approved the updated Watt Club Constitution following the Watt Club members' approval of this new structure and process changes at the Watt Club Council AGM in January 2024. This has opened opportunities to better engage and support our global alumni, current students and our Watt Club Branches. The student body has been made more aware of the Watt Club and there has been a major emphasis on increasing student engagement.



Developing excellence

As part of developing excellence in our student experience, and assuring sustainable growth, our Court approved a new three-year plan for the Dubai Campus that will see us expand to the adjacent building, providing additional student space for study and recreation, and additional teaching space. In Malaysia, the leadership team secured a new and favourable extension to the lease, which expired during the financial year.

Aligning people and processes

A number of milestones were reached during the year, including the finalisation of the move to the new Enterprise Reporting System (ERP) at the end of July. This project, which began in 2019, and which exceeded both its planned duration and budget, was the subject of a 'lessons learned' report presented to Court to ensure that we reflected on the challenges that we had encountered and were able to build on them for future projects. The other major achievement in our alignment of people, processes and systems was the completion of the Finance Improvement Plan which incorporated the final phases of the ERP implementation. This programme of work was led by the Executive and overseen by a Court Oversight Group. It delivered a stable finance function with the University hitting significant milestones in its accounts, reporting and related processes and the de-escalation of risk. During this phase Martin Pringle was appointed as our permanent Global Chief Financial Officer and the finance team was strengthened with new appointments, establishing a high calibre global team to support him.

The Service Effectiveness programme, supported by the Digital Transformation team, streamlined and automated over 30 key processes across the University throughout the year, the majority of which related to academic and student administration, particularly around assessments and exam boards, releasing over 2,000 hours. For the first time, service catalogues were published for Information Systems, Registry and Academic Support, Human Resources and Research Engagement activities, making services (and how to access them) more straightforward for staff. A new unified digital service desk was also launched for all student-facing queries, and this ‘help desk’ will further align Finance, HR and Estates staff query resolution in the year ahead. The Data and Insights programme also delivered dashboard reporting for all key areas of activity.

Overall staff ratings of professional service delivery improved significantly on the prior survey year with over half of the Universities’ services performing at the median or above compared to the sector benchmark group of 27 universities in the Uniforum group.



The Digital Student Experience Programme delivered many front-end enhancements to the user experience for Heriot-Watt Online students as well as new personalised timetable functionality on student mobiles for on-campus students for the start of the 2024/25 academic year.

Essential enhancements were made to our cyber security and upgrades to our IT network effectively procured and rollout begun across Malaysia and our Scottish campuses. Our buildings continued to be upgraded with a refurbishment of The Lyell Centre and upgrades to two of our student halls on our Edinburgh Campus as well as enhancements to student spaces on our Scottish Borders Campus.

During the year, we advanced our transnational education activities through a new partnership with K. Zhubanov Aktobe Regional University in Kazakhstan, reinforcing our commitment to working with higher education partners on all continents who share our values and commitment to high quality education. This new strategic development initially saw the delivery of foundation year pathways into three undergraduate dual-degree engineering programmes to a new intake of 300 students per year, with identical learning outcomes to those of our engineering programmes on our own campuses. The first cohort were welcomed at a ceremony attended by Kassym-Jomart Tokayev, President of the Republic of Kazakhstan, and representatives from both universities.

The Global College recruited to plan on student numbers and income during its first year of establishment with student tuition fee income originating from a variety of sources and partnerships.

Going concern *statement*

The University has assessed the going concern as noted on page 71. Basis of Preparation-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 6-28. Its financial performance for the year ended 31 July 2024 is described in the Financial Review on pages 30-37; and the income and expenditure, assets, liquidity and cash flows are disclosed in more detail in the Financial Statements on pages 67-70 and in the Notes to the Annual Accounts on pages 83-108. The current forecasts and projections show that the University will manage its activities considering the relevant risks and uncertainties and will instigate any mitigating actions required to ensure compliance with funding requirements. 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.

Mr. Bruce Pritchard <i>Chair of Court</i>
Professor Richard A. Williams <i>Principal and Vice-Chancellor</i>
Mr. Martin Pringle <i>Global Chief Financial Officer</i>

Financial Performance

Overview

The University has made a surplus of £52.2m in the 23/24 financial year. However, this surplus was not as a result of operating activity but instead a revaluation of its pension obligations. As with the prior year, the application of the UK Accounting Standard FRS 102 continues to bring greater volatility to the reported financial position due to its treatment of including non-cash items such as the aforementioned valuation of pension assets and liabilities as well as foreign exchange gains or losses and matching of research income with expenditure. Removing these results in an operational deficit of £10.5m (2023: £15.7m deficit) as detailed in the table below reflecting the results of the University’s core activities.

Reconciliation to operating surplus/(deficit)

		Consolidated period ended 31 July	
		2024	2023
	Notes	£'000	£'000
Total Comprehensive Income for the year	SOCI	49,032	(14,159)
Less material non-recurring items:			
i) Impact of pension costs	(a)	(61,588)	(9,502)
ii) Impact of FRS 102 research adjustment	20	3,014	3,415
iii) Heriot-Watt Malaysia Fixed Assets Impairment	12	–	2,029
iv) Foreign Exchange	8	(608)	1,356
v) Restatement of overseas entities and other gains and losses	SOCI	(341)	1,217
Underlying (deficit)/surplus for the year		(10,491)	(15,644)
a) Impact of Pension Costs:			
i) USS Pension provision	7	59,423	6,930
ii) USS Pension net finance costs	18	(1,329)	(2,083)
iii) LPF net pension charge	18	612	3,955
iv) LPF net finance costs	18	2,928	737
v) Scottish Teachers Superannuation Scheme	26	(46)	(37)
Pension (loss)/gain		61,588	9,502



The University’s focus is on ensuring its long-term financial stability and as such it is taking action to ensure it generates an operational surplus each year. Due to the decrease in expected international students, the University instigated a number of expense reduction measures to ensure the impact of the reduced international tuition fee income was mitigated and that the University is on track to return to an operational surplus in the future.

The University continues to operate in a highly challenging environment where the impact of the cost-of-living crisis remains very real, resulting in a more limited ability to reduce some of the most significant areas of its cost base – staff costs and utilities – whilst still maintaining the same level of service. Additionally, the challenges in recruiting fee-paying students both internationally and from the rest of the UK are still present and impacting on the University’s income streams along with the real terms reductions in the Teaching Grant from the Scottish Funding Council. Despite this, overall income rose by 6.9% to £292.3m (2023: £273.2m). Conversely to the prior year, this was not primarily driven by tuition fees. Research income grew from £33.0m to £54.9m, a 66% increase. Other income grew by 8.4% to £37.5m, an increase of £2.9m on the previous year. As the University reaches the final year of Strategy 2025 the focus continues to be in seeking to ensure our long-term stability and minimise its reliance on tuition fee income by continuing to diversify and grow other income lines, which includes revenue from commercial income.

Income

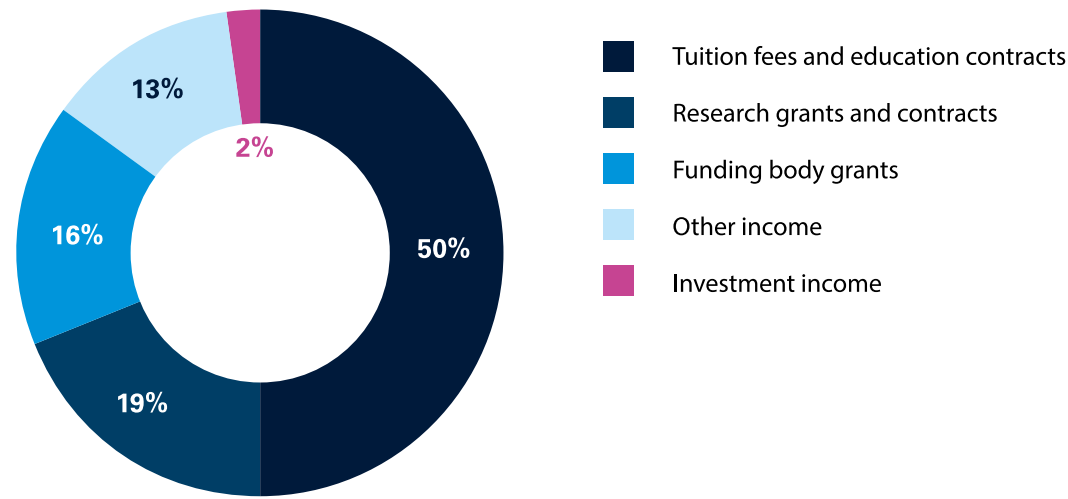
Tuition fee income has fallen to £146.9m from £148.2m in the prior year. This is due to a reduction in student numbers in terms of both international students and students from the rest of the UK. The tightening of visa restrictions by the UK Government has resulted in the University finding it more difficult to attract international students and thus reducing income in this area, in line with the wider higher education sector.

Research income increased to £54.9m from £33.0m in the prior year – this represents a 66% increase. Increasing research income is a key strategic objective of the University and the four Global Research Institutes are a key driver behind this. Improved processes within the University have resulted in a better reflection of costs on projects. Additionally, our enhanced control framework and systems knowledge has enabled us to recognised costs more accurately on projects.

Other income grew by 8.4% to £37.5m (2023: £34.6m) an increase of £2.9m from the previous year. Other commercial income, in terms of income in Heriot-Watt Trading and income in the Oriam, owned by Heriot-Watt Services, has contributed over £1.4m to this increase. Additionally, income from other funding bodies outwith the Scottish Funding Council (SFC) has increased by £0.7m in the year.

Funding body grants have reduced from £52.5m to £47.1m due to a number of factors, mainly the reduction in capital maintenance funding from the SFC and the prior year figures including a one off £1m allocation from the SFC.

Income by Category



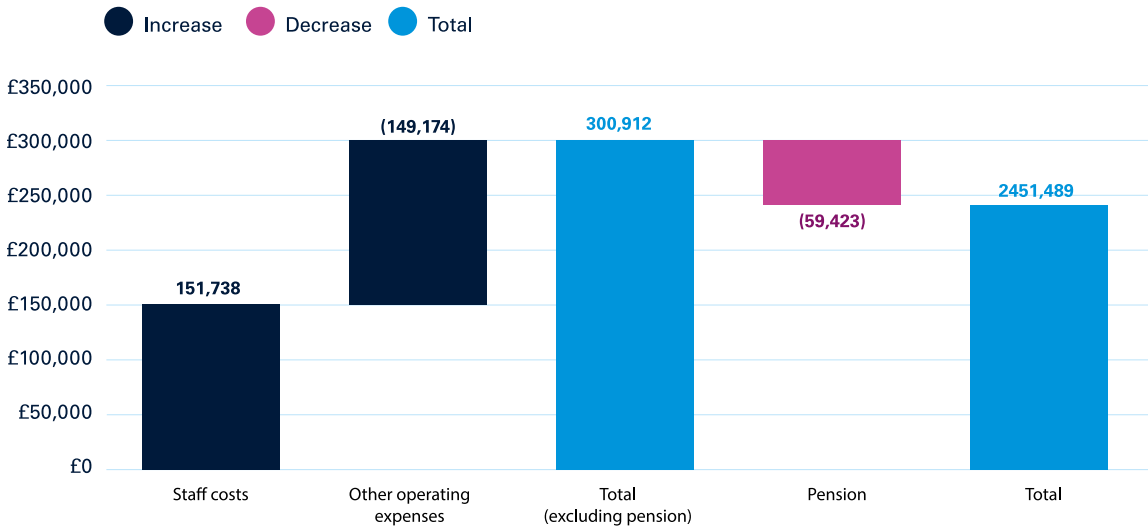
Expenditure

Whilst expenditure within the University decreased to £241.5m (£2023: £287.5m), this was primarily due to the impact of the pension valuation as noted above. The underlying cost base (excluding pension increase) increased by 2% from £294.5m to £300.9m. The University will endeavour to proactively manage its cost base, ensuring that it is the right shape and size to both deliver its strategic objectives whilst ensuring its long-term financial sustainability.

Staff costs continued to be the highest expenditure line for the University, seeing an increase of 8% to £151.7m (2023: £140.6m). Other operating costs increased more modestly to £126.8m (2023: £124.6m), representing an increase of under 2%.

Depreciation & Amortisation was £20.2m (2023: £22.1m), a reduction of circa. 9%.

Total Expenditure by Category



Balance sheet

The University continues to have a strong balance sheet with total assets of £441.1m (2023: £448.8m) at the year end. The Net current asset position has weakened in the year to £28.7m (2023: £40.3m) reflecting challenging market conditions and continued investment in assets. These balances included cash and cash equivalents of £78.6m (2023: £99.7m).

The University continues to invest in its estates and infrastructure with £15m of capital spend during the year.

Intangible assets remained in line with the prior year with new spend including the digital student experience programme which aims to provide enhanced infrastructure for students and various other members of the Heriot-Watt community.

There has also been further investment in the Oracle HR and Finance ERP system which, as noted last year, was implemented as of 31 July 2023. The system continues to demonstrate benefits to the organisation through a programme designed to deliver transformation of the finance function and improved system and process performance.

Current liabilities

Current liabilities have remained largely in line with last year at £104m. Within the category we have seen a decrease in grants received in advance, decreasing by £9.2m to £37.0m (2023: £46.2m). These monies are received for ongoing research activity and will be released to income in future years as the research projects complete – this is recognised as a current liability as it is due repayable on demand. This was offset with an increase in trade creditors of £4.3m to £13.1m (2023: £8.8m).

Payment of suppliers

Unless special terms are agreed, it is Group policy to pay valid invoices within 30 days. At 31 July 2024 there were 26 days (2023: 26 days) of purchases in trade creditors. No interest was paid under the terms of the Late Payment of Commercial Debts (Interest) Act 1998.

Creditors: Amounts falling due after one year

Long-term creditors are also broadly in line with last year at £237.7m. The majority of long-term creditors relate to the long-term loans that the University drew down in prior years. These borrowings total £144.6m (2023: £145.5m) and remained consistent with the previous year. These borrowings are long-term fixed priced in nature, and in the current interest rate environment represent a cost-effective source of capital. The other material long-term liabilities are deferred income which totals £88.7m (2023: £86.4m) and primarily relate to deferred capital grants which are released over the lifetime of the associated asset.

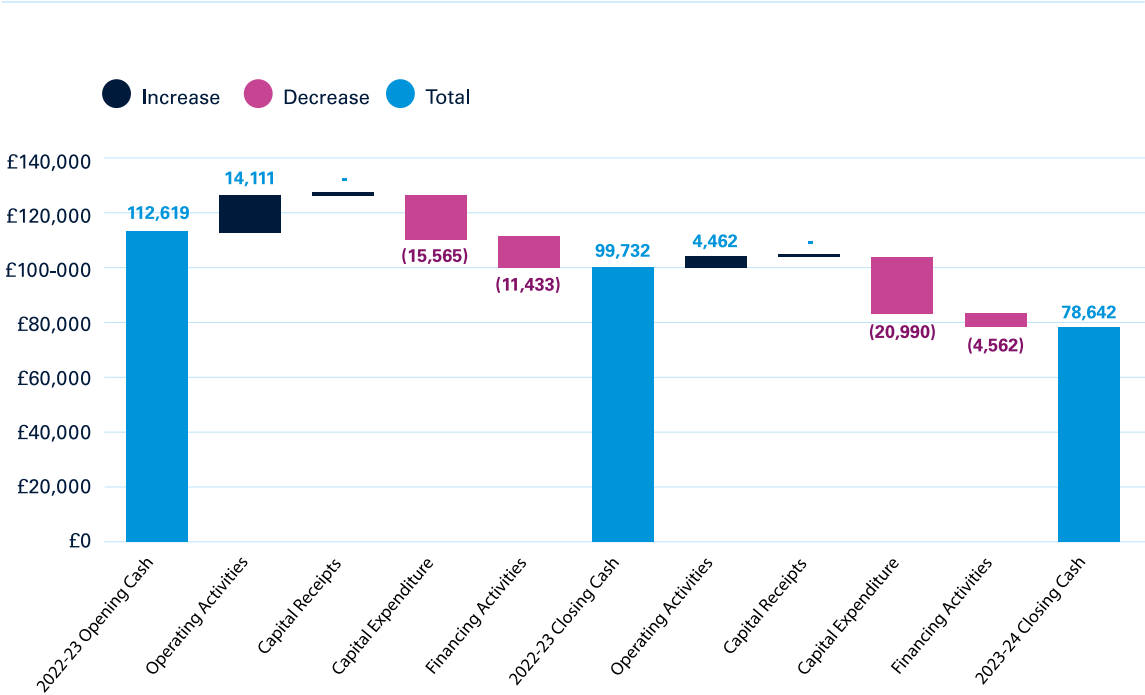
Reserves

The overall reserves of the University have increased to £98.3m (2023: £49.3m). This is also reflective of the aforementioned decrease in pension liabilities.

Cashflow and financing

Cash and cash equivalents decreased by £21m (2023: 12.9m) during the year to £78.6m (2022: £99.7m). As detailed below, the University generated £4.9m (2023: £14.1m) of positive cashflow from its business-as-usual activities. The net outflow of £21.0m was due primarily to the purchase of fixed assets £21.9m (2023: £15.6m) along with financing activities of £4.5m (2023: £11.4m), primarily the payment of interest (£4.4m) and the repayment of long-term debt (£0.6m). No new long-term debt was entered into during the year and the University met all financial covenants on existing long-term debt throughout the year. The first tranche of private placement funding is due to be repaid in 2027.

Cash, cashflows and loans



Pensions

Universities Superannuation Scheme pension update (USS)

USS is a hybrid pension scheme providing benefits based on a combination of final pensionable pay and defined contributions. The 31 March 2023 valuation exercise of the USS pension scheme showed the scheme returning to a surplus position – £7.4bn compared to a deficit of £14bn in March 2020 (the last formal valuation point). As a result, the employer contribution rate has reduced from 21.6% to 14.5% from 1 January 2024. Additionally no contractual obligation with the USS to fund deficit payments exists and the provision has been released.

Lothian Pension Fund (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. Contributions to the Scheme are calculated so as to spread the cost of pensions over employees' working lives with the University. A net surplus of £53.8m as at 31 July 2024 (2023: £57.5m) resulted from the actuarial valuation. This surplus was not recognised as a pension asset in the financial statements as it does not meet the recognition criteria set out in FRS 102 – please see note 26 (page 99) for further information.

Scottish Teachers' Superannuation Scheme

The Heriot-Watt University participates in the Scottish Teachers' Superannuation Scheme. The scheme is an unfunded statutory public service pension scheme with benefits underwritten by the UK Government. 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 contributions is set with reference to a funding valuation undertaken by the scheme actuary. The 2016 valuation set employer contribution rates at 23.0% from 1 September 2019 until 31 March 2023, although the UK Government has since stated that the rates would continue until 31 March 2024. Member contributions continued at the same rates within a range of 7.2% to 11.9% and are anticipated to deliver a yield of 9.4%.

- (a) Heriot-Watt University has no liability for other employers' obligations to the multi-employer scheme.
- (b) As the scheme is unfunded there can be no deficit or surplus to distribute on the wind-up of the scheme or withdrawal from the scheme

- (c) i. The scheme is an unfunded multi-employer defined benefit scheme.
- ii. It is accepted that the scheme can be treated for accounting purposes as a defined contribution scheme in circumstances where the Heriot-Watt University is unable to identify its share of the underlying assets and liabilities of the scheme.
- iii. The employer contribution rate for the period from 1 April 2022 is 23% of pensionable pay. The employee rate applied is variable and is anticipated to provide a yield of 9.4% of pensionable pay.
- iv. While a valuation was carried out as at 31 March 2016, it is not possible to say what deficit or surplus may affect future contributions. Work on the valuation was suspended by the UK Government pending the decision from the Court of Appeal (McCloud (Judiciary scheme)/Sargeant (Firefighters' Scheme) cases) that held that the transitional protections provided as part of the 2015 reforms were unlawfully discriminated on the grounds of age. Following consultation and an announcement in February 2021 on proposals to remedy the discrimination, the UK Government confirmed that the cost control element of the 2016 valuations could be completed. The UK Government has also asked the Government Actuary to review whether, and to what extent, the cost control mechanism is meeting its original objectives. The 2020 actuarial valuations will take the report's findings into account. The interim report is complete (restricted) and is currently being finalised with consultation. Alongside these announcements, the UK Government confirmed that current employer contribution rates would stay in force until 1 April 2024.
- v. Heriot-Watt University's level of participation in the scheme is 0.001% based on the proportion of employer contributions paid in 23/24.

Defined Contribution Schemes

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 71-82 and further disclosures are set out in note 26 (page 99).

Future outlook

Looking forward, the 2024/25 year is expected to continue to be challenging for the higher education sector. The University will seek to manage its costs effectively while continuing to reduce its reliance on tuition fee income through a range of initiatives that employ our expertise in transnational education. Our international campuses provide a natural hedge to international student recruitment challenges in the UK, and our long-term funding, which was secured at competitive rates, enables us to continue to invest in future growth. These factors will help us to navigate what is expected to be a decreasing contribution, in real terms, from Scottish Government funding.

Principal Risks *and Uncertainties*

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.



Ruth Moir, University Secretary

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:

- take ultimate responsibility 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.
- 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. The Court has established a Code of Conduct for Members included in Standing Orders which governs 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 of delegation. The Charter, in article 7.4, stipulates the responsibilities which cannot be delegated by the Court to any other body.

In discharging its responsibilities, the Court met nine times during the year 2023/2024, including at two 'Strategy Discussion Days'. All meetings, except the Strategy Discussion Days, were held online. The first Strategy Discussion Day in the year, held in November 2023, focused on Strategy 2025 – Strategy 2035, transforming student experience and driving innovative research and education through strategic partnership. It included presentations and discussions on the vision for 2035.

At the Court Strategy Discussion Day held in May 2024, the key discussion topics continued the theme of Strategy 2025-2035, transforming Edinburgh Business School, developing the three-year plan and assuring strategic progression of transnational education.

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 Representation Bodies and the students they represent. From June 2024 onwards the Court will also receive a regular report from the Vice-Principal and the Campus Vice-Principals and Provosts.

In addition, the Court receives the annual report of the Heriot-Watt University Student Union, the Dubai and Malaysia Campuses and Heriot-Watt Services Limited (Oriam).

The Annual Stakeholder Meeting (ASM), as required by the Scottish Code of Good Higher Education Governance, was held on 4 June 2024. An in-person audience, as well as online participants from across the globe, joined the ASM.

The event, which for the second time took place at the Edinburgh Campus and online, invited colleagues, students, alumni, and the University’s partners to join a panel discussion.

Chaired by Bruce Prichard, Chair of Court, with Professor Richard A Williams, Principal and Vice-Chancellor and panel members, the event included a comprehensive report on the University’s financial and strategic performance for the past year focusing on the global impacts delivered through Strategy 2025 and its themes: Building Flourishing Communities, Pioneering in Education, Excelling in Research and Enterprise and being a Globally Connected University

[Annual Stakeholder Meetings - Heriot-Watt University \(hw.ac.uk\)](https://www.hw.ac.uk/annual-stakeholder-meetings)

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. This ensures proper internal controls are in place and weaknesses are addressed, and enables Court 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;
- 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:

- 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;

- 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:

- Safeguard the assets of the Group and prevent and detect fraud.
- Secure the economical, efficient and effective management of the Group’s resources and expenditure.
- 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.
- 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.

Court membership

The Court comprises 25 members including the Chair, who is one of the 14 independent lay members of the Court who form the membership majority. Nine are elected or nominated to the membership from different constituencies, including two trade union representatives, 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 56. While a governing body membership of 25 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.

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 University Secretary (who is Secretary to the Court), the Global Director of Governance and Legal Services, the Global Finance Director, the Provosts of the Dubai and Malaysia Campuses and other members of the University Executive. 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 2023/24, all non-Court members of the University Executive, together with co-opted independent lay members of each of the Court’s standing committees and the Executive Deans, were invited to attend Strategy Day meetings of the Court as full participants at those meetings.

The Court and the Senate hold an annual joint meeting. In May 2024, the joint meeting focused on the External Governance Effectiveness Review Report. This meeting was used as an opportunity to jointly consider the Report and its recommendations. In particular, the joint meeting included sharing of information between Court and Senate to improve our shared understanding of the roles of these bodies. It also considered how to foster a culture which encourages constructive challenge and debate and agreed next steps to further improve our practice.

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.

The Court membership does not currently meet the Gender Representation on Public Boards (Scotland) Act 2018 objective of 50% female membership. As of July 2024, of the 14 lay members, 11 were male and three female; of the staff/student representatives 11 were male and two female, giving an overall female membership of 20%. Within the Court Committee group, the split is more even but still does not meet the objective of 50%.

Historically the reporting has focused on gender diversity and the statutory requirement to report on this. The University has sought to ensure that the governing body is representative of the students and staff of the institution across all the protected characteristics. The Court and Court Committee annual equality, diversity and inclusion monitoring returns have therefore been benchmarked against the student and/or staff population wherever possible.

The Remuneration Committee, in line with the Court Statement of Primary Responsibilities, and as set out in its Terms of Reference, has delegated authority on behalf of the Court to: undertake, on behalf of the Court, to review and determine the salary, other remuneration (including individuals’ performance and any performance linked reward payments, and retirement terms) of the Principal & Vice-Chancellor, the Vice-Principals, the Senior Deputy Principal, the Deputy Principals, the University Secretary, the Global Chief Operating Officer and the Global Chief Financial Officer, Professorial Staff, Directors of Professional Services, and all relevant or Grade 10 staff at each campus/site, and such other staff of the University as may be determined by the Court from time to time. The Senior Salary Review Procedures (approved by the Court in June 2021) set out the key principles and criteria that are applied when determining senior remuneration, including the use of appropriate benchmark information. In accordance with these procedures, the Remuneration Committee reports to the Court on an annual basis, with a summary report presented by the Chair of the Remuneration Committee.

The Scottish Code of Good Higher Education Governance

In the opinion of the Governing Body, the institution complied with all the principles and provisions of the 2023 Scottish Code of Good Higher Education Governance through the year.

In accordance with the Code, “the governing body is expected to review its own effectiveness each year and to undertake an externally facilitated evaluation of its own effectiveness and that of its committees, including

size and composition of membership, at least every five years.” As part of these processes or separately, the effectiveness of the Senate is expected to be reviewed similarly. These reviews should be reported upon appropriately within the institution and outside.

Court and Senate Effectiveness Review

The externally facilitated evaluation of Court and Senate took place in 23/24 and the scope of the review as agreed by the Court and the Senate Committee for Interim Business and Effectiveness, was:

How can the Court and the Senate further develop and improve their culture to ensure overall Board Effectiveness and good governance which is sufficient and proportionate?

Following a competitive procurement process (Invitation to Quote) Advance HE were appointed to conduct the evaluation , which comprised observations of the Court and Senate and Committees thereof, individual and focus group meetings, a survey and a documents review. The University established a joint Court/ Senate/ Executive Steering Group to oversee this.

The Review found that:
“The fundamental governance arrangements at the University are sound, and we noted several good practices (e.g. an explicit agenda tracker, a structured approach to induction, comprehensive publicly available governance information, etc.). However, the University is transitioning from a model of governance focused on detailed scrutiny and monitoring to one focused more on strategic issues and adding value.”

The Executive Summary and Recommendations are published [here](#) and access to the full report can be provided on request.

Corporate Strategy

The University’s Strategic Report can be found on pages 6 to 28. This includes an overview of the University’s progress in the different aspects of Strategy 2025. Strategy 2035 is currently under development by the University’s Executive and other relevant staff members and will be published in due course.

Principal Risks and Uncertainties

The University has an established Risk Management Framework, Policy, Strategy, Risk Appetite Statement, and associated procedures in place to effectively identify, assess, record, and effectively manage risk across the Heriot-Watt Group.

The University regularly reviews and updates its strategic and operational risk registers, and there is detailed reporting to the University Executive, Audit and Risk Committee and Court on both risk and audit matters. 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 University Executive, the Audit and Risk Committee, and the Court.

The following section sets out the University bodies with key responsibilities for governance, oversight, and management of risks to the institution:

Court is the University's governing body and has ultimate responsibility for risk management.

Court oversees risk management and governance, monitoring risks, reviewing policies, ensuring compliance, and promoting transparency. It facilitates annual reporting, contributing to informed decisions and the institution's long-term sustainability and success.

The **Audit and Risk Committee** is a Committee of Court, whose purpose is to review the effectiveness of the University's corporate governance arrangements, financial systems, internal control environment, and risk management arrangements. The Committee provides appropriate assurances to the Court on these areas, ensuring transparency, efficiency, and value for money in all University operations. The Committee also commissions and reviews reports, assesses the University's risk management framework, and recommends improvements in internal control systems. The Committee also endorses the approval of the Annual Report and Financial Statements to the Court (jointly with the Finance Committee of Court).

The **University Executive**, with an enhanced membership drawn from the Global Operations Executive, meets on a quarterly basis to oversee the effective operation of the risk management policy, strategy, and framework. The Executive considers reports on strategic and operational risks, along with relevant internal audit reports and reports on the status of remediation of audit recommendations. The Executive also considers project risks when it convenes to review the status of the University's strategic project portfolio. The outputs of the University Executive's quarterly Audit and Risk agenda meetings are reported to the Audit and Risk Committee, and then onwards to Court.

Assurance and Legal Services is the division responsible for the co-ordination of risk management and risk reporting across the University. The division oversees the effective application of risk management across the University, co-ordinates risk reporting to the relevant governance bodies, and provides guidance and training on risk management to colleagues across the University. Additionally, the division is responsible for ensuring adequate insurance provision for the Group, maintenance of up-to-date Business Continuity Plans, relationship management of the outsourced internal audit provider, and providing in-house legal guidance and support to colleagues.

Primary Organisational Units within the University play a pivotal role in the institution's operational risk management. Senior Management, with the support of their designated Risk Champions, are responsible for identifying, assessing, and mitigating various risks related to their operational, financial, and administrative functions, analysing both internal and external factors, gauging the impact and likelihood of risks, and developing strategies to reduce their adverse effects. They also manage compliance and regulatory risks, handle financial risk management, ensure budget adherence, and contribute to the development and testing of business continuity and disaster recovery plans.

The University maintains a Strategic Risk Register, which is the University's institutional level risk register, detailing the significant risks affecting the University's ability to achieve its strategic objectives. Regular monitoring and reporting of the register ensures that risks are actively managed and risk recommendations progress as intended. The University proactively addresses strategic and operational risks by adjusting long-term strategic plans, and through policy, process and system improvements. Alongside the University's Strategic Risk Register, the senior management team and their risk champions maintain operational risk registers across the University's Primary Organisational Units, including: Schools,

Global Research Institutes, Professional Service Directorates, Subsidiary Companies, and Campuses. Escalated operational risks are regularly reported to both the University Executive and Audit and Risk Committee. University risk registers are maintained on the University's Risk Management System '4Risk'.

Internal audit is carried out by RSM, a professional audit firm which has been appointed as the University's internal auditor. RSM follows an annual plan of approved audit reviews, which are focused on the key risks to the achievement of the University's strategic plan.

Recommendations from the auditor's work are followed up and remedial actions taken where required. On an annual basis, RSM provides an overall report on the effectiveness of operation of the internal controls based on the audit work performed.

Types of Risks

Strategic risks encompass the uncertainties and vulnerabilities that may affect the University's ability to achieve its strategic mission, academic excellence, and financial sustainability against its long-term strategy. Strategic risks include factors such as changing demographics of the student body, shifts in educational trends and demands, evolving technologies, funding uncertainties, competitive pressures, and the ability to adapt to external forces like economic, social, and political changes. The University proactively assesses and manages strategic risks by making informed decisions, setting clear objectives, and regularly reviewing and adjusting its strategic plans to ensure their continued relevance and success.

Operational risks encompass the potential for internal disruptions and failures in day-to-day operations that can result in financial losses, reputational damage, and disruptions in the University's ability to carry out its core functions, including teaching, research, and providing support services. This risk type is primarily associated with internal factors, such as human error, technology failures, regulatory compliance issues, and other operational shortcomings, and financial mismanagement. To mitigate operational risk, the University employs risk management strategies, internal controls, and comprehensive policies and procedures, to identify, assess, and minimise these risks while maintaining its commitment to providing a safe, effective, and reputable educational environment.

Project risk – 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 in order to achieve the successful outcomes of a project. The Project Sponsor is responsible for ensuring that effective risk management is undertaken on their projects. The Global Project Management Office is in place to oversee the management of the University's strategic project agenda, including risk management of significant projects.

Risk Management Improvement Plan

A plan of continuous risk management improvement remains in place to enhance the University's Risk Management Framework, and during 2023/24 has delivered further improvements to the University's approach to risk management.

- Further rollout of the Risk Management System across the University.
- Further enhancement and development of the reporting to support the risk and audit agenda to University Executive, Audit and Risk Committee, and Court.
- Improved reporting and oversight of completion of risk actions across Primary Organisational Units.

- Introducing guided Controls Risk Self-Assessment sessions with risk champions and management to review their risk controls.
- Ongoing development of the Risk Champions Group by providing internal and external risk training and regular updates on risk matters.
- Continuing engagement between the University's leadership and the internal auditor.
- Continuing oversight over the progress to completion of outstanding internal and external audit recommendations.
- Continuing reporting of financial risks, including regular reporting on the status of remediation of external and internal audit finance recommendations, and on the status of finance system and team change activities.
- Supported successful closure of the Enterprise Resource Planning System Programme, and its transfer to business-as-usual, and closure of the associated Finance Improvement Project (post year-end). Scoping has commenced for a phase II Finance Improvement Project to further enhance the policies, systems, processes and controls within Finance.
- Further training on the University's Ethical Business Policy suite.
- Initial development of the University's approach to Assurance Mapping.
- Further development and testing of the University's Business Continuity Plans across the Group.
- Internal review of key financial system user account provisioning processes associated with the recent changes introduced to the ISA315 audit standard.
- Further development of the Global Project Management Office, which oversees the University's strategic change agenda including risk management of strategic projects.
- Progression of the Legal Implementation Plan.

Over the coming financial year, the University will continue to implement the risk management improvement plan, and intends to take the following actions.

- Refresh and update its Risk Appetite Statement, aligning with its Transnational Education Framework, and Strategy 2035, currently under development.
- Refresh and update its Risk Management Policy and Framework.
- Consider the risks and opportunities presented by generative artificial intelligence through discussions with management.
- Continue to support progress on phase II Finance Improvement Project to implement further enhancements to policies, systems, processes and controls.
- Conduct further development of the Risk Champions Group by providing additional risk training.
- Conduct further guided Controls Risk Self-Assessment sessions with risk champions and management to review their risk controls.
- Provide further training on the University's Ethical Business Policy suite.
- Further develop and advance the University's Assurance Mapping reporting.
- Continue to mature the Global Project Management Office.
- Continue to progress the Legal Implementation Plan across all campuses

Internal Control – Internal Audit

Internal audit at Heriot-Watt University is carried out by RSM. Based on their assessments, RSM provides recommendations to improve internal processes, mitigate risks, and enhance overall efficiency and value-for-money. RSM's work provides the University's management and governing body with assurance that operations are running effectively, within an appropriately robust financial control framework.

RSM's role as internal auditors for Heriot-Watt University is to independently evaluate and assess various aspects of the University's operations, ensuring that they are conducted efficiently, in compliance with regulations, and with proper controls in place. Their insights and recommendations contribute to the University's overall governance and risk management efforts.

The internal auditor reports directly to the University Secretary and the Audit and Risk Committee, providing updates on the internal control system. Ultimately, the purpose of internal audit is to assist the University in achieving its objectives, and providing assurance to both the Audit and Risk Committee and the University Secretary.

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. The audit plan, which encompasses the University's global operations, is reviewed and approved annually by the Audit and Risk Committee.

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's internal audit forward plan, audit reports on reviews undertaken, report on the University's progress in actioning internal audit recommendations, and the Internal Auditor's Annual Report.

RSM 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
- significant changes to the Internal Audit Plan based on new/emerging risks.

These include RSM'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.

RSM 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, data quality, efficiency, and effectiveness processes.

For the year ended 31 July 2024, RSM has concluded, based on the internal audit work performed, that: “The organisation has an adequate and effective framework for risk management, governance, internal control and economy, efficiency, and effectiveness. However, our work has identified further enhancements to the framework for risk management, governance, internal control and economy, efficiency and effectiveness to ensure that it remains adequate and effective.”

There are four options available to the internal auditor in respect of its annual opinion and the second most positive has been applied for the annual assessment.

The overall opinion is based on an assessment across the five compliance internal audits and a further advisory audit performed during the year. The five compliance audits performed were as follows:

- **Framework for Regulatory Review Preparedness (Dubai)**
- **Framework for Business Development**
- **International Partnerships**
- **Student Recruitment Key Governance Processes**
- **Key Controls – General Ledger**

There were no high priority recommendations identified from the audit work performed during the year. The reviews identified a total of eight medium and eight low recommendations for improvement by management, of which seven medium and seven low recommendations remained open at the year end.

In respect of data quality and management, for 23/24, RSM has concluded within its overall annual internal audit report that “Our data quality opinion for 2023/24 was informed by the outcome of our testing within our Key Controls – General Ledger (6.23/24) and International Partnerships (3.23/24) reviews, where we raised a total of three ‘medium’ and five ‘low’ priority management actions across the two reviews in relation to completeness of data within University processes. We recognise the University is working to improve controls and checks undertaken to support the accuracy of data.”

An advisory audit of staff wellbeing (including long-term absences) was also performed by RSM during the year and identified six advisory recommendations for improvement by management.

The University commissioned RSM to carry out a lessons learned review of the Enterprise Resource Planning (ERP) system implementation programme. The final report was issued in November 2023 and was considered by the University Executive, Audit and Risk Committee, and Court. The review identified 22 recommendations for improvement, either to the remainder of the ERP Programme or to future change projects. Whilst this review was not part of the internal audit work performed, the recommendations have been treated as advisory in nature and tracked accordingly.

Internal Control – Oversight by the Audit and Risk Committee

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 (RSM), 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 (EY) in its management letter and other reports issued in the course of their work; and
- reports issued from time to time by other external assurance providers.

Major Risks and Challenges

The major risks and challenges faced by the University have b

Major Risks and Challenges: Artificial Intelligence

Artificial Intelligence	Response
There are material risks, challenges and opportunities for the global higher education sector and the university posed by the rapid evolution of artificial intelligence across learning and teaching, research and operational activities.	The University has already started to consider particular impacts of artificial intelligence to date on its learning and teaching activities. Management across the University has started to consider the wider set of risks and opportunities posed by AI across the range of its activities and to ensure that a suitable set of responses are in place.

Major Risks and Challenges: Pioneering in Education

Student Experience	Response
Driving further improvements in the quality of student experience offered by the University at all campuses continues to be a significant focus for the University, given the disappointing results of the 2023 UK National Student Survey (NSS), although noting that some improvements have been seen in the 2024 results.	The Student Experience and Satisfaction Group (SESG) continues to oversee the implementation of the student experience improvement plan. The SESG, led by members of the University Executive, has been established, reporting to University Committee of Learning and Teaching (UCLT) and the University Executive. This Group brings together academic and support functions to provide a holistic approach to enhancing the student experience across all campuses and drawing on a broad range of data and evidence to measure progress. While the risk profile continues to improve, ongoing monitoring and adaptive strategies remain essential to maintain momentum and drive further enhancements to student experience.
Students continue to be adversely impacted at all campuses by the ongoing cost-of-living and inflationary challenges.	The University has developed a range of interventions and responses at all campuses to provide additional support, to the extent possible, for students, plus signposting students to external support available. The University’s support includes offering a range of scholarships plus access to a Discretionary Hardship Fund. The University also has a range of mechanisms to provide guidance and support to students impacted by cost-of-living challenges which includes signposting and links to broader support available from external sources. Additionally, there are other initiatives including offering free food at UK campuses and the Unitemps initiative in the UK to offer paid part-time work to students.

Major Risks and Challenges: Building Flourishing Communities

Staff Wellbeing and Engagement	Response
Staff wellbeing and engagement continues to be a significant concern for the University due to several factors including: the ongoing impacts of inflation and cost-of-living affecting staff, the financial constraints the University faces in relation to pay awards, workload concerns, and the pace of change across the University.	An advisory internal audit on staff wellbeing was conducted during the year that made six recommendations for improvement which are being implemented by management. The University continues to run an active programme of communications and engagement with staff at all campuses via regular All Staff Executive Briefings, plus regular newsletters, and cascade communications. There also remains regular formal and informal engagement with the recognised Trades Unions in the UK. Work continues to be progressed in relation to equal pay/pay gaps, workload principles, workload/efficiency and casualisation and a Fair Work Statement was signed in June 2024 by the University and recognised UK Trades Unions. The University’s UK pay structure was reviewed and positive changes were implemented in April 2024 to include an additional spine point for Grades 2-9. This allowed 800 staff to receive a pay increment who otherwise had been at the top of their respective grades. The recent revaluation of the UK pension schemes, with an associated reduction in employee contributions, has also benefited staff within those schemes.
Climate Change	Response
There are significant risks to the achievement of the University’s ambition to be net zero carbon emitting by the Scottish Government’s statutory deadline of 2045. The full financial cost of becoming net zero carbon emitting has not yet been fully calculated at this point, however it is recognised that even at this early stage, a material investment in the University’s infrastructure and ways of working will be needed to meet the expected standards.	At the core of the University’s sustainability strategy is our ambition to becoming a net-zero institution by 2035 at the latest. The University has launched a comprehensive Climate Action Framework that lays out our planned people-centred approach to addressing the challenges of climate change and environmental sustainability. To oversee this, the University has established the University Committee on Global Environmental Sustainability, chaired by the Deputy Principal for Global Sustainability, which reports directly to the University Executive. Beyond its operational focus, the University recognises its broader role in driving climate action on a global scale. The University aims to leverage its research, teaching, and policy influence to support transformative change beyond its campuses. The University has also launched its climate change Global Research Institute ‘iNetZ+’ which will focus on research and thought leadership in this area.
Economic Risks	Response
The University continues to face economic challenges due to global geopolitical and economic uncertainties, adverse sentiment on immigration and student visas in the UK, and inflationary pressures. Achievement of student recruitment targets remains challenging as the higher education sector continues to re-align globally post pandemic. There is also significant pressure on the University’s cost base due to continuing inflation in the territories in which it operates. The continuing cost-of-living demands on staff have created additional pay expectations. These income and cost pressures combine to challenge the University’s ability to generate margins and surplus to be available for investment in future growth.	The University continues to take a range of measures to broaden its global student recruitment strategy. These measures include further extending the geographical recruitment of students, plus development of additional global academic partnerships. The pathways into the University have also been broadened with the introduction of the Global College, to provide a global foundation programme, plus extension of Heriot-Watt Online programmes to allow remote study for a range of courses. The University also continues to carefully monitor and manage its cost base and the impact on its three-year financial plan. The University has commenced initial development of Strategy 2035, the successor to its current strategy: Strategy 2025. Strategy 2035 will take account of the macroeconomic climate faced by the University and the responses required.

Major Risks and Challenges: [Excelling in Research and Enterprise](#)

Climate Change	Response
The University has a very ambitious target within Strategy 2025 for the growth of its research and enterprise activities. Attracting and retaining globally talented research leaders is also challenging in a highly competitive sectoral environment. These factors collectively put at risk the achievement of the University’s research objectives and targets.	The University successfully launched the National Robotarium in September 2022 which is the University’s second Global Research Institute (GRIs). The National Robotarium acts as a focal point for UK research and innovation into robotics and artificial intelligence. The University has ambitious plans for the development of two further GRIs: Net Zero ‘iNetz+’ and Health and Care Technologies, which will act as focal points for research and innovation to address key societal challenges. The University also continues to drive significant growth across its existing research and enterprise agenda. Notable recent successes include: attracting major UK Research and Innovation (UKRI) research and industry funding for six Centres for Doctoral Training, leadership of the Integrated Quantum Networks (IQN) research hub, and TransiT, dedicated to digital twinning for transport decarbonisation.

Major Risks and Challenges: [Globally Connected University](#)

Geopolitical Risk	Response
Given the University’s global footprint, in relation to the locations of its campuses and global learning partnerships, as well as students studying remotely online, or travelling to study or perform research, the University faces significant risks due to geopolitical uncertainties and conflicts.	The University continues to maintain a close watching brief on the geopolitical disputes and conflicts which may impact its operations globally. In addition, there is close monitoring of potential political and constitutional changes which may impact the University in the principal territories in which it is based.
Enterprise Resource Planning (ERP) System / Finance Risk	Response
The University continues to manage its way through a complex set of risks and challenges in relation to the recent implementation of its Enterprise Resource Planning (ERP) system which provides the financial and HR administration for the University and related impacts on finance processes and controls.	The University has worked through a Finance Improvement Plan to make improvements to the operation of the ERP system, as well as redevelopment of the associated Finance processes and control environment. The ERP Programme was successfully closed in July 2024, with remaining minor items of scope moved to business as usual. Improvements have also been made during 2023/24 to Finance’s capacity and capability including to its policies, systems, processes and controls. Whilst the original Finance Improvement Plan, as originally envisaged, has completed, further enhancements have been identified to Finance policies, systems, processes and controls. These enhancements will continue to be made in 2024/25 using project management disciplines. The improvements made within Finance and the ERP system in 2023/24 have been overseen by the University Executive, as well as relevant Committees of Court, and Court itself.
IT/Cyber threats	Response
Similar to the rest of the higher education sector, the University continues to face significant and substantial risks from cyber and ransomware attacks to its IT systems and infrastructure.	There are significant processes, technical controls, and systems in place to prevent or quickly respond to cyber-attacks which remain under continuous review and update in response to evolving threats. In addition, there is a detailed action plan with appropriate resources dedicated to enhancing the infrastructure and controls available to the University. However, the risk remains severe due to the continuously evolving threat to the higher education sectorwhich has seen recent cyber-attacks at other UK institutions.

Going Concern & Conclusion

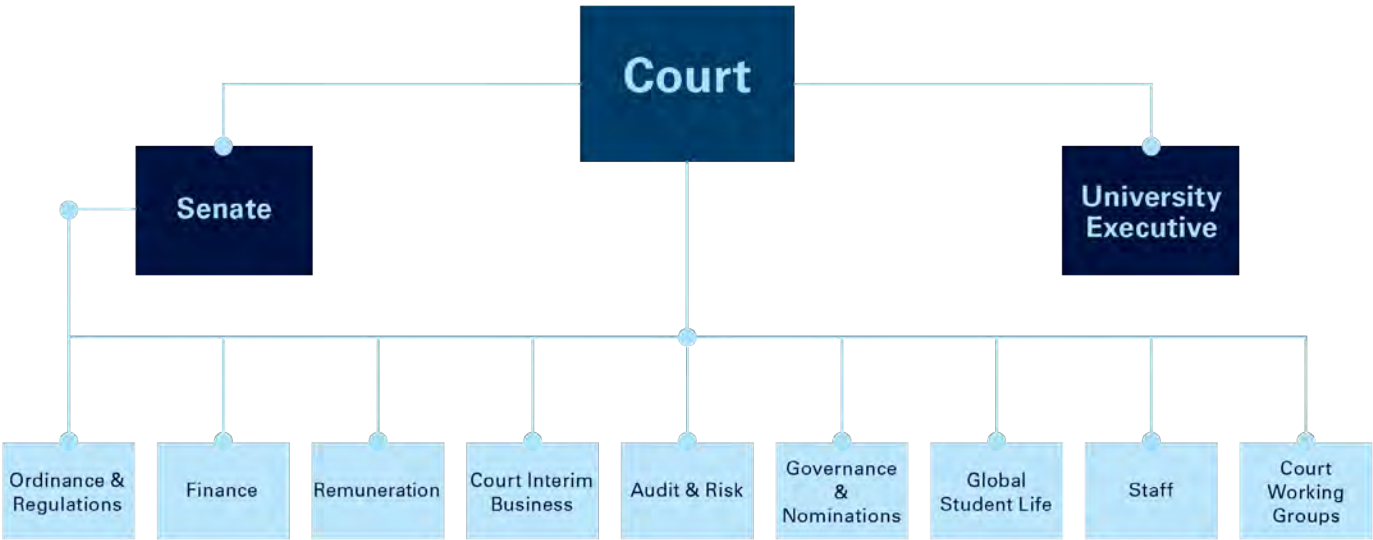
The University has assessed the going concern basis for a number of factors as described in the Strategic Report on page 29 and on page 71, Basis of preparation. The University Court considers that the University has adequate resources to continue in operation for the foreseeable future and has a robust system of corporate governance in place. This corporate governance is in compliance with the principles of the 2022 Code and a sound system of internal controls and effective risk management are in place.

Ms. Ruth Moir
University Secretary

Membership of Court and Committees

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

- **Ordinance & Regulations**
- **Finance**
- **Remuneration**
- **Audit & Risk (ARC)**
- **Court Interim Business**
- **Governance & Nominations**
- **Global Student Life**
- **Staff**
- **Court Working Groups**



The full terms of reference of each Court committee can be accessed via the following webpage. 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:

University Committees A-Z - Heriot-Watt University (hw.ac.uk)
hw.ac.uk/uk/services/policy-governance/university-committees-a-z.htm

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

Members of Court and Attendance

The following persons served as members of Court during the year from 1 August 2023 to 31 July 2024 and up to the date of approval of these financial statements.

Court		Attendance at Meetings
Chair of Court	Mr Bruce Pritchard	8/8
Deputy Chair of Court	Mr Cameron Millar (from 1 August 2023 until 26 September 2023)	0/0*
	Mr Mike Tumilty (from 10 November 2023)	6/6*
Principal and Vice-Chancellor	Professor Richard A. Williams	8/8
Vice-Principal and Provost	Professor Mark Biggs (until 31 March 2024)	5/5*
	Professor Steve McLaughlin (from 20 May 2024)	2/2*
Senate	Dr Fadi Ghaith (until 31 July 2024)	7/7*
	Dr William MacPherson	8/8
	Professor Mathini Sellathurai (from April 2023 until 7 December 2023)	3/3*
	Professor Yvonne McLaren-Hankin (from 31 May 2024)	2/2*
	Professor Paul Dalgarno (from 1 August 2024)	1/1*
Trade Union	Mr Juergen Munz	7/8
	Professor David Jenkins (from 1 August 2023)	8/8
Staff	Mr Chris Pirie (until 31 July 2024)	6/7*
	Ms Sharan Virdee (until 31 January 2024)	3/3*
	Professor Bruce Roberts (from 1 February 2024)	5/5*
	Dr Laura Wicks (from 1 August 2024)	1/1*
Graduate	Dr Brian Henderson	8/8
Student Union	Mr Scott Anderson (until 31 May 2024)	6/6*
	Mr Connel Greenhorn (until 31 May 2024)	5/6*
	Mr Cameron Fields (from 1 June 2024)	2/2*
	Ms Holly McAdams (from 1 June 2024)	2/2*
Independent lay members of Court	Mr Mike Tumilty (until 9 November 2023)	2/2*
	Mr Richard Armour (until 1 July 2024)	5/7*
	Mr Graeme Dickson	7/8
	Mr Steve Heathcote	8/8
	Mr Gary Kildare	8/8
	Ms Morag McNeill (until 31 st July 2024)	7/7*
	Ms Marta Phillips	8/8
	Mr Ian Stevenson	6/8
	Ms Dorothy Wright	8/8
	Mr Alan Robertson	6/8
	Mr Paul Lewis	6/8
	Ms Hilary Hansen (from 1 August 2024)	1/1*
	Ms Denise Thomas (from 1 August 2024)	1/1*

* Indicates total number of meetings the member was eligible to attend during period of membership

Audit and Risk Committee		Attendance at Meetings
Independent lay members of Court	Mr Mike Tumilty (Chair)	6/6
	Dr Richard Armour (until 1 July 2024)	2/4*
	Mr Graeme Dickson	6/6
	Mr Phil Ross (until 31 July 2024)	4/4*
	Ms Morag McNeill (until 31 July 2024)	4/4*
	Ms Sarah Morris (from 1 August 2023)	6/6
	Mr Ian Stevenson (from 1 August 2023)	5/6
	Ms Hilary Hansen (from 1 August 2024)	2/2
Co-opted members	Mr Roger Murray	6/6
	Ms Debbie Walker	5/6
Court Interim Business Committee		Attendance at Meetings
Independent lay members of Court	Mr Bruce Pritchard (Chair)	5/6
	Ms Morag McNeill (until 31 July 2024)	2/4*
	Mr Mike Tumilty	5/6
	Ms Marta Phillips (from 7 December 2023)	5/6
	Mr Alan Robertson	4/6
	Ms Dorothy Wright	6/6
	Mr Steve Heathcote (from 1 August 2023)	5/6
	Mr Brian Henderson (from 10 June 2024)	3/3*
Staff	Dr William MacPherson	4/6
Students	Mr Scott Anderson (from 7 December 2023)	2/2*
	Mr Cameron Fields (from 1 June 2024)	2/4*
Ex officio	Professor Mark Biggs (until 31 March 2024)	1/1*
	Professor Richard A. Williams	4/6
	Professor Steve McLaughlin (from 20 May 2024)	3/4*
Donations and Investments Committee		Attendance at Meetings
Independent lay Members of Court	Mr Cameron Millar (Chair until 26 September 2023)	0/0*
	Dr Brian Henderson (Chair from 31 October 2024)	4/4
	Ms Marta Phillips	3/4
Co-opted members	Mr Alan Devine	4/4
	Mr Zain Sheikh	4/4
Students	Mr Scott Anderson (until 31 May 2024)	1/2*
	Mr Cameron Fields (from 1 June 2024)	0/2*
Ex officio	Ms Ruth Moir	4/4
	Professor Richard A. Williams	1/1*
	Professor Mark Biggs (the Principal and Vice-Principal attend on an either/or basis) (until 31 March 2024)	2/2*
	Professor Steve McLaughlin (the Principal and Vice-Principal attend on an either/or basis) (from 20 May 2024)	0/0*
Finance Committee		Attendance at Meetings
Independent lay members of Court	Mr Steve Heathcote (Chair from 1 August 2023)	7/7
	Mr Cameron Millar (until 26 September 2023)	0/1*
	Dr Brian Henderson (from 31 October 2023)	4/5*
	Mr Gary Kildare	2/7
	Mr Bruce Pritchard	5/7
	Mr Alan Robertson	4/6
	Ms Marta Phillips (until 31 July 2024)	3/5*
	Ms Denise Thomas (from 1 August 2024)	2/2*

Finance Committee		Attendance at Meetings
Co-opted members	Ms Judith Cruickshank (until 23 Apr 2024)	3/4*
	Ms Rita Pasi	7/7
	Ms Maureen Bannerman (from 1 August 2024)	2/2*
Staff	Mr Juergen Munz	4/5
Ex Officio	Professor Mark Biggs (until 31 March 2024)	4/4*
	Professor Richard A. Williams	7/7
	Professor Steve McLaughlin (from 20 May 2024)	3/3*
Global Student Life Committee		Attendance at Meetings
Independent lay members of Court	Ms Marta Phillips (Chair)	4/4
	Dr Brian Henderson	3/4
	Mr Bruce Pritchard (From 1 October 2022)	3/4
Co-opted member	Dr Fazrie Wahid (until 31 May 2024)	1/3*
Students	Mr Scott Anderson (until 31 May 2024)	3/3*
	Mr Connel Greenhorn (until 31 May 2024)	3/3*
	Ms Hope Reilly (until 31 May 2024)	3/3*
	Mr Ryan Koh (until 31 May 2024)	3/3*
	Ms Anaswara Pradeep (until 31 May 2024)	3/3*
	Ms Celia Silva (until 31 May 2024)	0/2*
	Mr Cameron Fields (from 1 June 2024)	1/1*
	Ms Holly McAdams (from 1 June 2024)	0/1*
	Ms Pearlyn Tee (from 1 June 2024)	1/1*
	Ms Ridhima Shivkumar (from 1 June 2024)	1/1*
	Ms Alex Chan (from 1 June 2024)	1/1*
	Mr Joshua Ahurome Eseigbe (from 1 June 2024)	0/1*
Ex officio	Professor Richard A Williams	1/4
Governance and Nominations Committee		Attendance at Meetings
Independent lay members of Court	Mr Bruce Pritchard (Chair)	4/4
	Mr Mike Tumilty	3/4
	Ms Dorothy Wright	4/4
	Mr Steve Heathcote	1/4
Students	Mr Scott Anderson (from 1 March 2023)	2/2*
	Mr Cameron Fields (from 1 June 2024)	0/2*
Staff	Ms Sharan Virdee (from 1 August 2023 until 31 January 2024)	1/1*
	Mr Bruce Roberts (from 1 February 2024)	1/3*
Ex officio	Professor Richard A. Williams	4/4
Remuneration Committee		Attendance at Meetings
Independent lay members of Court	Ms Morag McNeill (Chair until 31 July 2024)	3/3
	Mr Mike Tumilty (from 10 November 2023/ Chair from 1 August 2024)	2/3*
	Mr Bruce Pritchard	3/4
	Mr Steve Heathcote	2/4
	Ms Dorothy Wright	4/4
	Mr Gary Kildare	3/4
Staff	Professor Mathini Sellathurai (from 1 April 2023 until 31 December 2023)	1/1*
Co-opted member	Ms Evelyn Stevenson	4/4
Students	Mr Scott Anderson (until 31 May 2024)	2/3
	Mr Cameron Fields (from 1 June 2024)	1/1*

* Indicates total number of meetings the member was eligible to attend during period of membership

Staff Committee		Attendance at Meetings
Independent lay members of Court	Ms Dorothy Wright (Chair)	6/6
	Mr Bruce Pritchard	4/6*
	Mr Paul Lewis	4/6
Co-opted Member	Mr Imtiaz Aziz	4/6
	Ms Julie Hotchkiss	6/6
Trade Union	Professor David Jenkins	4/6
Staff	Dr Fadi Ghaith (until 31 July 2024)	4/4*
	Dr Laura Wicks (from 1 August 2024)	1/1
Ex officio	Professor Richard A. Williams	3/5
	Professor Mark Biggs (attends on behalf of the Principal when required) (until 31 March 2024)	1/1*
	Professor Steve McLaughin (attends on behalf of the Principal when required) (from 20 May 2024)	2/2
Infrastructure Committee		Attendance at Meetings
Independent lay members of Court	Mr Alan Robertson (Chair)	4/4
	Mr Gary Kildare (from 4 September 2023)	4/4
Co-opted members	Mr John Fowlie	3/4
	Mr David Lister	2/4
	Mr Jeremy Smart	2/4
	Dr Brian Murray (until 30 April 2024)	2/3*
Students	Mr Scott Anderson (until 31 May 2024)	3/3
	Mr Cameron Fields (from 1 June 2024)	1/1*
Staff	Mr Chris Pirie (until 31 July 2024)	1/3*
	Professor Paul Dalgarno (from 1 August 2024)	1/1*
Ex officio	Professor Richard A. Williams	2/2*
	Professor Mark Biggs (The Principal and Vice-Principal attend on an either/or basis) (until 31 March 2024)	2/2*
	Professor Steve McLaughlin (The Principal and Vice-Principal attend on an either/or basis) (from 20 May 2024)	0/0*

Scottish Government Fair Work Agenda

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. The following table shows the breakdown of employees working on our Edinburgh, Borders and Orkney campuses as of July 2024.

Disability	Number of Employees	%
Information Refused	3	0.1
Known Disability	159	6.6
Not Known	2,255	93.3
	2,417	

The University is committed to:

- rnsuring that people with disabilities receive full and proper consideration throughout the whole recruitment process;
- guaranteeing 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 University 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.

Our globally connected hybrid working model at the University also means we are paying particular attention to the voices of disabled colleagues to ensure we maximise the benefits of different ways of working to create a truly inclusive community.

UKTrade Union Facility Time Reporting for the period April 2023 to March 2024

1. Statutory Requirement

Under Section 13 of the Trade Union Act 2016 and The Trade Union (Facility Time Publication Requirements) Regulations 2017, relevant employers (including higher education institutions) have to collate and publish, on an annual basis, a range of data on the amount and cost of facility time within their organisation.

The purpose of these regulations is to promote transparency and allow for public scrutiny of facility time. Employers are required to publish data in four tables (outlined in Schedule 2 of the Regulations) as detailed in the table set out below.

For the period1 April 2023 to 31 March 2024

Employees in organisation	1,501 to 5,000
Trade union representatives	14
FTE trade union representatives	12.49
FTE time allocated across unions	2.6
Percentage of time spent on facility time	
0%	0
1%-50%	14
51%-99%	0
100%	0
Paid trade union duties	
Hours spent on paid facility time (duties and activities)	4,429.2
Hours spent on paid trade union duties	4,076.28
Hours spent on paid trade union activities	452.92
Total pay bill and facility time costs	
Total pay bill	£123.4m
Total cost of facility time	£142.2k
Percentage of pay spend on facility time	0.12%

2. Recognition at Heriot-Watt

The University recognises the following unions: University and College Union (UCU), Unison, Unite and EIS. Formal paid facility time is approved each year by University Executive and the statutory return on paid facility time for the April 2023-March 2024 year is published on our external HR Policy webpage [here](#).

At the start of the 2023-24 Heriot-Watt financial year, paid facility time was formally granted as 2.6 FTE for UCU, Unite and Unison, to be allocated across individuals as each union felt appropriate. It is recognised that Trade Union Representatives also carry out unpaid work as part of their Trade Union activities, but this return reflects the allocation and cost of paid facility time.

Independent Auditor's Report

to the University Court of Heriot-Watt University

Opinion

We have audited the financial statements of Heriot-Watt University ('the institution') and its subsidiaries ('the group') for the year ended 31 July 2024 which comprise the Consolidated and Institution Statement of Comprehensive Income and Expenditure, the Consolidated and Institution Balance Sheet, Consolidated Statement of cash flows, the Consolidated and Institution Statement of changes in reserves and the related notes 1 to 29, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 102 "The Financial Reporting standard applicable in the UK and Republic of Ireland".

In our opinion the financial statements:

- give a true and fair view of the state of the group's and of the institution's affairs as at 31 July 2024 and of its incoming resources and application of resources, including its income and expenditure, for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law;
- have been prepared in accordance with the Charities and Trustee Investment (Scotland) Act 2005 and Regulation 14 of the Charities Accounts (Scotland) Regulations 2006; and
- have been properly prepared in accordance with the Statement of Recommended Practice: Accounting for Further and Higher Education.

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 in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the University Court's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the group and institution's ability to continue as a going concern for a period of 19 months to 31 July 2026.

Our responsibilities and the responsibilities of the University Court with respect to going concern are described in the relevant sections of this report. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the group's ability to continue as a going concern.

Other information

The other information comprises the information included in the annual report other than the financial statements and our auditor's report thereon. The University Court is responsible for the other information contained in the annual report.

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.

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 this gives rise to a material misstatement in the financial statements themselves. 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 (SFC) Financial Memorandum

- In accordance with the SFC's Financial Memorandum (effective 1 December 2014), we will also report to the University Court whether, in all material respects:
- the requirements of the SFC'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 SFC have been applied in accordance with the requirements of the SFC Financial Memorandum with Higher Education Institutions.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters in relation to which the Charities Accounts (Scotland) Regulations 2006 requires us to report to you if, in our opinion:

- adequate and proper accounting records have not been kept or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- the information given in the financial statements is inconsistent in any material respect with the annual report; 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 Court Statement of Primary Responsibilities set out on page 39, 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 determines 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 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 management either intends to liquidate the group or the institution or to cease operations, or has 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 Act 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.

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect irregularities, including fraud. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below. However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the entity and management.

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the group and parent institution and determined that the most significant are FRS 102 and Statement of Recommended Practice for Further and Higher Education
- We understood how the group and parent institution are complying with those frameworks by making enquiries of management and those responsible for legal and compliance procedures. We corroborated our enquires through our review of the Court minutes and papers provided to the Audit and Risk Committee at a group level, as well as consideration of the results of our audit procedures to either corroborate or provide contrary evidence which was then followed up.
- We have considered the culture of honesty and ethical behaviour and whether a strong emphasis is placed on fraud prevention, which may reduce opportunities for fraud to take place, and fraud deterrence, which could persuade individuals not to commit fraud because of the likelihood of detection and punishment.
- We assessed the susceptibility of the group and parent institution financial statements to material misstatement, including how fraud might occur by meeting with management to understand where they considered there was susceptibility to fraud. We also considered performance targets and their influence on efforts made by management to manage financial performance. Where this risk was considered higher, we performed audit procedures to address the risk of fraud and management override. These procedures included testing manual journals and were designed to provide reasonable assurance that the financial statements were free from fraud or error.
- Based on this understanding we designed our audit procedures to identify noncompliance with such laws and regulations. Our procedures involved enquiries of management, those charged with governance and those responsible for legal and compliance procedures; journal entry testing with a focus on journals indicating large or unusual transactions based on our understanding of the business; review of Court minutes to identify any non-compliance with laws and regulations; and inspection of any correspondence between the University and Scottish Funding Council.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council’s website [here](#). This description forms part of our auditor’s report.

Use of our report

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

Date:

Financial Statements

Consolidated and Institution Statement of Comprehensive Income and Expenditure for the year ended 31 July 2024

		Group		Institution	
		2024	2023	2024	2023
		£'000	£'000	£'000	£'000
Income	Notes				
Tuition fees and education contracts	1	146,858	148,225	137,037	136,059
Funding body grants	2	47,064	52,521	46,945	52,497
Research grants and contracts	3	54,863	33,067	54,789	32,961
Other income	4	37,543	34,637	34,686	33,274
Investment income	5	4,672	2,985	4,576	2,936
Donations and endowments	6	1,278	1,779	1,278	1,779
		292,278	273,214	279,311	259,506
Expenditure					
Staff costs	7	151,738	140,642	144,531	133,731
Increase/(decrease) in USS Pension Provision	18,26	(59,423)	(6,930)	(59,423)	(6,930)
Other operating expenses	9	126,830	124,572	119,573	115,346
Depreciation, Amortisation & Impairment	11,12	20,159	22,063	19,022	18,476
Interest and other finance costs	8	2,185	7,200	1,992	6,089
		241,489	287,547	225,695	266,712
Surplus/(Deficit) before other gains and losses		50,789	(14,333)	53,616	(7,206)
Gain/(Loss) on disposal of fixed assets	12	8	-	-	-
Gain/(Loss) on investment property	13	(600)	1,250	(600)	1,250
Gain/(Loss) on investments		1,981	120	1,989	120
Surplus/(Deficit) before tax		52,178	(12,963)	55,005	(5,836)
Taxation	10	53	(58)	-	-
Surplus/(Deficit) for the year		52,231	(13,021)	55,005	(5,836)
Other comprehensive income					
Restatements of overseas entities reserves		196	(676)	87	(1,576)
Actuarial gain/(loss) in respect of pension schemes	18,26	(3,540)	79	(3,540)	79
Other Gains/Losses		146	(541)	(46)	(46)
Total comprehensive income for the year		49,033	(14,159)	51,506	(7,379)
Represented by:					
Endowment comprehensive income for the year		924	(101)	924	(101)
Restricted comprehensive income for the year		(1,647)	(3,809)	(1,635)	(3,809)
Unrestricted comprehensive income for the year		49,560	(9,573)	52,130	(1,893)
Translation reserve comprehensive income for the year		196	(676)	87	(1,576)
Revaluation reserve comprehensive income for the year		-	-	-	-
Total		49,033	(14,159)	51,506	(7,379)

Consolidated and Institution Statement of Changes in Reserves

Consolidated

Balance at 1 August 2022

Surplus/(deficit) from income and expenditure statement	5	(409)	(12,617)	-	-	(13,021)
Other comprehensive income	-	-	(1,138)	-	-	(1,138)
Transfers between revaluation and unrestricted reserve	-	-	676	(676)	-	-
Transfers between restricted and unrestricted reserve	-	(3,506)	3,506	-	-	-
Transfers between endowment and restricted reserve	(106)	106	-	-	-	-

Balance at 1 August 2023

Surplus/(deficit) from income and expenditure statement	1,297	1,367	49,567	-	-	52,231
Other comprehensive income	-	-	(3,199)	-	-	(3,199)
Transfers between translation and unrestricted reserve	-	-	(196)	196	-	-
Transfers between restricted and unrestricted reserve	-	(3,387)	3,387	-	-	-
Transfers between endowment and restricted reserve	(373)	373	-	-	-	-

Total comprehensive income for the year

Balance at 31 July 2024

Institution

Balance at 1 August 2022

Surplus/(deficit) from income and expenditure statement	5	(409)	(5,432)	-	-	(5,836)
Other comprehensive income	-	-	(1,542)	-	-	(1,542)
Transfers between revaluation and unrestricted reserve	-	-	1,576	(1,576)	-	-
Transfers between restricted and unrestricted reserve	-	(3,506)	3,506	-	-	-
Transfers between endowment and restricted reserve	(106)	106	-	-	-	-

Balance at 1 August 2023

Surplus/(deficit) from income and expenditure statement	1,297	1,367	52,341	-	-	55,005
Other comprehensive income	-	-	(3,499)	-	-	(3,498)
Transfers between revaluation and unrestricted reserve	-	-	(87)	87	-	-
Transfers between restricted and unrestricted reserve	-	(3,375)	3,375	-	-	-
Transfers between endowment and restricted reserve	(373)	373	-	-	-	-

Total comprehensive income for the year

Balance at 31 July 2024

Income and Expenditure reserve			Translation Reserve	Revaluation Reserve	Total
Endowment £'000	Restricted £'000	Unrestricted £'000			
12,359	15,384	32,128	540	3,058	63,469
5	(409)	(12,617)	-	-	(13,021)
-	-	(1,138)	-	-	(1,138)
-	-	676	(676)	-	-
-	(3,506)	3,506	-	-	-
(106)	106	-	-	-	-
12,258	11,575	22,555	(136)	3,058	49,310
1,297	1,367	49,567	-	-	52,231
-	-	(3,199)	-	-	(3,199)
-	-	(196)	196	-	-
-	(3,387)	3,387	-	-	-
(373)	373	-	-	-	-
924	(1,647)	49,560	196	-	49,032
13,182	9,928	72,115	60	3,058	98,342
12,359	15,372	41,372	956	2,875	72,932
5	(409)	(5,432)	-	-	(5,836)
-	-	(1,542)	-	-	(1,542)
-	-	1,576	(1,576)	-	-
-	(3,506)	3,506	-	-	-
(106)	106	-	-	-	-
12,258	11,563	39,480	(620)	2,875	65,554
1,297	1,367	52,341	-	-	55,005
-	-	(3,499)	-	-	(3,498)
-	-	(87)	87	-	-
-	(3,375)	3,375	-	-	-
(373)	373	-	-	-	-
924	(1,635)	52,130	87	-	51,506
13,182	9,928	91,160	(533)	2,875	117,060

Consolidated and Institution Balance Sheet for the year ended 31 July 2024

		Group		Institution	
		2024	2023	2024	2023
		£'000	£'000	£'000	£'000
Non-current Assets					
Intangible assets and goodwill	11	7,649	6,966	7,649	6,966
Tangible assets	12	249,409	248,827	215,289	215,026
Investments	13	50,497	48,508	50,397	48,508
Investment in subsidiaries	13	-	-	5,471	5,374
		307,555	304,301	278,806	275,874
Current Assets					
Stock	14	19	16	-	-
Trade and other receivables	15	53,074	42,206	82,078	69,903
Cash and cash equivalents	21	78,642	99,732	67,584	87,638
Investments	13	1,879	2,500	1,879	2,500
		133,614	144,454	151,541	160,041
Less: Creditors; amounts falling due within one year	16	(104,922)	(104,198)	(104,447)	(104,888)
Net current assets/(liabilities)		28,692	40,256	47,094	55,153
Total assets less current liabilities		336,247	344,557	325,900	331,027
Creditors: amounts falling due after more than one year	17	(237,732)	(236,951)	(208,668)	(207,177)
Provisions					
Pension provisions	18,26	(172)	(58,296)	(172)	(58,296)
Total net assets		98,343	49,310	117,060	65,554
Equity					
Share capital		-	-	-	-
Restricted Reserves					
Income and expenditure reserve - endowment reserve	19	13,182	12,258	13,182	12,258
Income and expenditure reserve - restricted reserve	20	9,928	11,575	9,928	11,563
Unrestricted Reserves					
Income and expenditure reserve - unrestricted		72,115	22,555	91,608	39,478
Translation reserve		60	(136)	(533)	(620)
Revaluation reserve		3,058	3,058	2,875	2,875
Total Reserves		98,343	49,310	117,060	65,554

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

The accounting policies on pages 71-82 and the notes on pages 83-108 form an integral part of these financial statements, which were approved by the University Court on 5 December 2024 and signed on its behalf by:

Professor Richard A. Williams

Principal and Vice-Chancellor

Bruce Pritchard

Chair of Court

Martin Pringle

Global Chief Financial Officer

Consolidated Statement of Cash Flows
for the year ended 31 July 2024

	Notes	Consolidated	
		2024 £'000	2023 £'000
Cash flow from operating activities			
Surplus/(Loss) for the year before taxation		52,178	(12,963)
Adjustment for non-cash items			
Depreciation and impairment of tangible fixed assets	12	15,622	18,023
Amortisation and impairment of intangible fixed assets	11	5,002	3,936
Revaluation of assets held at depreciated replacement cost	12	(681)	-
(Gain)/loss on restatement of tangible fixed assets in overseas entities	12	(88)	1,326
Fair value adjustment on non-current investments	13	(1,981)	(120)
(Increase)/decrease in stock	14	(3)	(8)
(Increase)/decrease in debtors	15	(10,515)	(2,107)
Increase/(decrease) in creditors within one year	16	724	10,958
Disposals of fixed assets	11	-	132
Increase/(decrease) in creditors over one year	17	781	1,538
Increase/(decrease) in provisions	26	(58,124)	(4,874)
(Gain)/loss on investment land revaluation	13	600	(1,250)
Actuarial gain/(loss) in respect of pension schemes	18	(3,540)	79
Increase/(decrease) in cumulative translation of overseas operations		196	(676)
Other Gains/Losses		146	(541)
Adjustment for investing or financing activities			
Interest receivable	5	(2,038)	(2,985)
Net return/(charge) on pension assets	26	1,599	(1,346)
Interest payable	8	4,392	4,418
(Gain)/loss on disposal of tangible fixed assets	12	(8)	-
Repayments of amounts borrowed	17	629	629
Cash inflow from operating activities		4,891	14,169
Taxation		53	(58)
Net cash inflow from operating activities		4,944	14,111
Cash flows from investing activities			
Proceeds from sale of fixed assets	12	(15,672)	(11,939)
Payments to acquire intangible assets and goodwill	11	(5,447)	(3,626)
Payments in advance to construct assets		(353)	-
Interest Received	5	2,038	2,985
Transfer from cash to investments	13	20	(10,717)
Net return/(charge) on pension assets	18,26	(1,599)	1,346
Net cash outflow from investing activities		(21,013)	(21,951)
Cash flows from financing activities			
Interest Paid	8	(4,392)	(4,418)
Repayments of amounts borrowed	17	(629)	(629)
Net cash outflow from financing activities		(5,021)	(5,047)
Increase/(decrease) in cash and cash equivalents in the year		(21,090)	(12,887)
Balance as at 1 August 2023	21	99,732	112,619
Balance as 31 July 2024	21	78,642	99,732
Movement		(21,090)	(12,887)

Statement of accounting policies

1. Basis of preparation

These financial statements have been prepared in accordance with the Statement of Recommended Practice Accounting for Further and Higher Education 2019 (“the SORP”) and in accordance with Financial Reporting Standard (FRS) 102. The University is a public benefit entity and therefore has applied the relevant public benefit requirement of the applicable accounting standards. The financial statements have been prepared in accordance with the historical cost convention (modified by the revaluation of heritage assets and investments).

The future impact on the financial performance and subsequent cashflows of the University have been considered as part of the University’s adoption of the going concern basis in these financial statements and in developing a sustainable financial plan for the University. The current forecasts and projections show that the University is well positioned to manage its activities successfully, having taken account of risk and uncertainty, along with arrangements in place to monitor and assess performance. As a result these financial statements have been prepared on a going concern basis which the Court believes to be appropriate.

The University is well established and renowned for its excellence in teaching and research. As such the demand for the University remains strong, as evidenced in the student cohort for 2023/24 and the level of enrolments through the September 2024 intakes across our global campuses. Whilst teaching has primarily moved back to on campus lectures, the University has maintained the ability for students to learn away from campus either full time or through a model blended with online learning.

As at 31 July 2024 the University held net assets of £98.3m and net current assets of £28.7m. These assets included cash and cash equivalents of £78.6m. This has decreased to £75.1m as at 31 October 2024. Liquidity headroom in excess of operational cash requirements for the group at 31 July 2024 was £37.1m and was £32.6m at 31 October 2024.

Borrowings amounted to £145.5m in unsecured loans. The unsecured debt is subject to financial covenants as set out in note 17 and as at 31 July 2024 all financial covenants were met and are projected to be met throughout the going concern period to 31 July 2026.

A Financial Plan for 2023/24 through to 2026/27 has been approved by Court. This plan has been updated at the end of September 2024 as part of the rolling monitoring of performance undertaken by the University. The key changes to the forecast were to adjust for actual enrolments in September 2024 as well as changes in employers National Insurance contributions.

In support of this forecast cashflow projections have been prepared to the 31 July 2026. On this basis the University is forecast to operate within its available committed facilities, meeting all financial covenants, with forecast liquidity headroom in excess of requirements throughout the going concern period to 31 July 2026.

The University carefully and regularly monitors risks. Senior management have considered various scenarios in assessing these risks and any mitigations on future financial performance and cashflows. Should a severe downside scenario occur, a range of mitigating actions could be initiated by management depending on the scale of the situation, primarily through managing discretionary spend, together with restricting non-essential and non-committed capital expenditure.

In testing the robustness of the University's financial position, cashflow projections were also prepared on the most severe modelled scenario. In this example the University is still forecast to operate within its available committed facilities, meeting all financial covenants, with forecast liquidity headroom in excess of requirements and all financial covenants are met.

Based on the above analysis it remains wholly appropriate to prepare the consolidated financial statements on a going concern basis to 31 July 2026.

2. Basis of consolidation

The consolidated financial statements include the University and all of its subsidiaries for the financial year to 31 July 2024. The results of subsidiaries during the period are included in the consolidated statement of income and expenditure. No subsidiaries were acquired or disposed of during the period. 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, 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 the period in which students are studying, 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 is 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 is recognised when 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).

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, the University allows 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.

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.

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 LPF pension scheme remains in surplus through 2023/24. As such the University evaluated LPF against the guidance regards recognising a pension asset.

There are two mechanisms through which the University could potentially be required to recognise an asset related to its share of LPF.

- 1. Reduced contributions: in 2023 various accounting and audit bodies clarified that this should be assessed as the extent to which employer contributions are less than projected service costs for the life of the scheme. At 31 July 2024 the University’s projected service costs for the scheme remained below that of the planned contributions, therefore it remains appropriate no asset is recognised on this basis.
- 2. Refund from the scheme: the accepted accounting practice continues to be not to recognise any pension asset based on a right to refund from the scheme for scheduled bodies of a Local Government Pension Scheme. This has been on the basis that the University has no functional way to recover the asset without giving notice to leave the pension fund which would require legislative change.

It was therefore determined that the University should not recognise the surplus in respect of the University’s participation in the Lothian Pension Fund with a nil pension asset/liability recognised.

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 Ltd 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

Internally generated online course content which forms a separately identifiable asset either independently or in combination with software and/or intellectual property, is capitalised with an amortisation period over

the useful economic life of the asset.

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

- Software (including Enterprise Resource Planning (ERP) system): 3-10 years
- Intellectual property: 7 years
- Internally developed online course content: 3-5 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 19 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 or where bought in large bundles of over £20,000. 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. 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.

12. Investments

Heriot-Watt University has considered the impact of the Heriot-Watt Malaysia impairment on the institution financial statements as at 31 July 2024.

Heriot-Watt University holds an investment in the Malaysia subsidiary of £3.3m. The long-term cash position of Heriot-Watt Malaysia is forecast to return net cash inflows and therefore, the University does not consider the investment to be impaired. No adjustment has been made to the financial statements in respect of the investment in subsidiary held by Heriot-Watt University in Heriot-Watt Malaysia.

Heriot-Watt University is additionally due £4.7m from Heriot-Watt Malaysia as at 31 July 2024 through an intercompany loan which is repayable in 2039.

The University has considered the recoverability of this balance as at 31 July 2024 in light of our impairment assessment. The long-term cash position is forecast to return to be a net inflow and the University expects the balance to be repaid in full. No adjustment has been made to the financial statements in respect of the intercompany loan between Heriot-Watt University and Heriot-Watt Malaysia.

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

13. 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.

14. Cash and cash equivalents

Cash includes cash in hand, cash at bank and 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.

15. Provisions, contingent liabilities and contingent assets

Provisions are recognised in the financial statements when:

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

16. 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 sections 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 (VAT). 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.

17. 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.

18. 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.

19. 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:

a) 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.

The University presently undertakes annual structural inspections of the buildings which were identified as having reinforced autoclaved aerated concrete (RAAC) contained within their structures. The structural reviews have been completed at the three campuses within the UK. The existence of RAAC was found to impact five buildings. The latest reports were completed during July 2024 to the new standard RAAC reporting methodology established by the Institute of Structural Engineers (IStructE) for all UK structural engineers to use as industry wide best practice. These latest reports recommend continued regular inspection of the RAAC in the known buildings along with other related building elements such as roof coverings for water tightness etc, ingress from which could impact the condition of RAAC elements. All of the latest reports identify areas of concern which require monitoring and conclude that that no areas of buildings identified as having RAAC elements can be considered low risk.

The University therefore is looking to consider its long-term strategy for the continued operational use of the buildings which have RAAC along with related investment and to also establish contingency plans for how they would continue to operate if any one of the buildings were to have a significant RAAC failure occur and need to close. However, presently the University has concluded that the existence of RAAC in five parts of its estate does not currently result in any need for impairment of those assets due to the buildings remaining open.

Heriot-Watt Group has considered the impact of the Heriot-Watt Malaysia impairment assessment (prepared under Malaysian Financial Reporting Standards) and considered the indicators of impairment set out in FRS 102. The long-term cash position of Heriot-Watt Malaysia is forecast to return net cash inflows and therefore, the University does not consider the investment to be further impaired. No adjustment has been made to the financial statements in respect of the investment in subsidiary held by Heriot-Watt University in Heriot-Watt Malaysia.

b) 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.

c) 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.

d) 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 26 (page 99).

e) 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 University is satisfied that the Universities Superannuation Scheme meets the definition of a multi-employer scheme.

Notes to the *Annual Accounts*

1.Tuition fees and education contracts

	Consolidated		Institution	
	2024	2023	2024	2023
	£000	£000	£000	£000
Scottish Home Domiciled students	12,900	13,024	12,917	12,548
Rest of UK students	7,381	10,162	7,351	10,099
International students	119,279	117,247	109,482	105,647
Higher education contracts	587	1,141	587	1,141
Research training support grants	4,739	3,057	4,739	3,057
Short course fees	9	10	9	10
Examination and graduation fees	1,963	3,585	1,952	3,557
	146,858	148,226	137,037	136,059

2. Funding body grants

	Consolidated		Institution	
	2024	2023	2024	2023
	£000	£000	£000	£000
SFC teaching grants	28,522	30,111	28,521	30,111
SFC research and knowledge exchange grants	14,522	14,501	14,522	14,501
Release of deferred capital grants	2,553	6,521	2,553	6,521
Other grants	1,467	1,388	1,349	1,364
	47,064	52,521	46,945	52,497

3. Research grants and contracts

	Consolidated		Institution	
	2024	2023	2024	2023
	£000	£000	£000	£000
Research councils	32,713	22,075	32,713	22,075
Charities	3,223	2,778	3,223	2,778
UK Government	3,687	891	3,687	891
UK Industry	3,410	1,673	3,410	1,673
EU Commission	5,953	4,434	5,953	4,434
EU other	855	451	855	451
Other overseas	4,061	(412)	4,061	(412)
Other sources	961	1,177	887	1,071
	54,863	33,067	54,789	32,961

4. Other income

	Consolidated		Institution	
	2024 £000	2023 £000	2024 £000	2023 £000
Residences, catering and conferences	17,480	16,673	17,392	16,617
Income from governments and other funding bodies	6,452	5,415	6,129	5,768
Release of deferred capital grants	1,796	1,062	999	307
Other commercial income	8,668	8,914	6,788	7,748
Sports and exercise	2,938	2,490	128	144
Other income	209	83	3,250	2,690
	37,543	34,637	34,686	33,274

5. Investment income

	Consolidated		Institution	
	2024 £000	2023	2024 £000	2023 £000
Investment income on endowments	567	426	567	426
Other investment income	4,105	2,559	4,009	2,510
	4,672	2,985	4,576	2,936

6. Donations and endowments

	Consolidated		Institution	
	2024 £000	2023 £000	2024 £000	2023 £000
New endowments	316	1	316	1
Donations with restrictions	930	1,760	930	1,760
Unrestricted donations	32	18	32	18
	1,278	1,779	1,278	1,779

7. Staff costs

	Consolidated		Institution	
	2024 £000	2023 £000	2024 £000	2023 £000
Salaries	123,497	111,021	117,155	104,869
Social security costs	10,644	9,776	10,475	9,661
Employer's pension contributions (note 26):				
USS	12,813	14,376	12,813	14,376
LPF	3,892	3,955	3,892	3,955
Other	920	1,542	224	898
Movement in LPF and other pension provisions (note 18):				
(Decrease) in other pension provisions	(28)	(28)	(28)	(28)
Total staff costs before staff restructuring costs and movement in USS pension provision	151,738	140,642	144,531	133,731
Increase/(decrease) in USS provision (note 18)	(59,423)	(6,930)	(59,423)	(6,930)
Total staff costs	92,315	133,712	85,108	126,801
Analysed between staff working in:				
Academic schools	103,165	95,471	99,529	92,259
Administrative and central service functions	36,008	33,865	34,407	31,442
Premises functions	7,553	6,667	5,622	5,393
Residences and catering	5,012	4,639	4,973	4,637
Total staff costs before staff restructuring costs and movement in USS pension provision	151,738	140,642	144,531	133,731

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

	Consolidated		Institution	
	2024 Number	2023 Number	2024 Number	2023 Number
Academic schools*	1,354	1,228	1,235	1,090
Administrative and central service functions	903	719	765	612
Premises functions	137	146	131	140
Residences and catering	119	142	116	139
Total staff numbers	2,513	2,235	2,247	1,981

*Included within Academic schools is both academic and professional services staff dedicated to Academic schools

Emoluments of Principal and Vice-Chancellor

	Consolidated & institution	
	2024 £000	2023 £000
Professor Richard A. Williams		
Salary	286	277
Benefits	35	41
Payment in lieu of pension	35	28
Pension contributions to USS	9	20
	365	366

Key Management Personnel (KMP)

	Consolidated & institution	
	2024	2023
	£000	£000
Aggregate KMP personnel compensation, including salary, benefits and employers' pension contributions	1,216	1,205

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, the University Secretary, Global Chief Operating Officer, Global Chief Financial Officer and, in 2023 only, the Interim Global Chief Finance Director.

Compensation for Loss of Office

	Consolidated & institution	
	2024	2023
Aggregate compensation paid	25	0
Number of payments	1	0

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 Scottish Funding Council requirements.

Pay Multiples

	Consolidated & institution	
	2024	2023
	£000	£000
Highest paid officer’s remuneration (Principal and Vice-Chancellor)	321	304
Median total remuneration	47	41
Remuneration ratio	6.83	7.41

Remuneration of Higher Paid Staff, Excluding Pension Contributions

Consolidated	2024	2024	2023	2023
	Key Management Personnel	Other Staff	Key Management Personnel	Other Staff
100,001 - 110,000		14	-	14
110,001 - 120,000		9	-	8
120,001 - 130,000	1	8	1	4
130,001 - 140,000		4	-	1
140,001 - 150,000		2	-	4
150,001 - 160,000	1		1	2
160,001 - 170,000	2	3	1	1
170,001 - 180,000		2	-	-
180,001 - 190,000	1		1	-
190,001 - 200,000			-	-
200,001 - 210,000			-	1
210,001 - 220,000			-	-
220,001 - 230,000		1	-	-
230,001 - 240,000			-	-
240,001 - 250,000		1	-	-
250,001 - 300,000			-	-
300,001 - 350,000	1		1	-
	6	44	5	35

Institution	2024	2024	2023	2023
	Key Management Personnel	Other Staff	Key Management Personnel	Other Staff
100,001 - 110,000		14	-	14
110,001 - 120,000		9	-	7
120,001 - 130,000	1	8	1	4
130,001 - 140,000		3	-	1
140,001 - 150,000		2	-	4
150,001 - 160,000	1		1	1
160,001 - 170,000	2	3	1	1
170,001 - 180,000		1	-	-
180,001 - 190,000	1		1	-
190,001 - 200,000			-	-
200,001 - 210,000			-	1
210,001 - 220,000			-	-
220,001 - 230,000		1	-	-
230,001 - 240,000			-	-
240,001 - 250,000		1	-	-
250,001 - 300,000			-	-
300,001 - 350,000	1		1	-
	6	42	5	33

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 55-59 of these financial statements. The Chair of Court is the only member who receives any remuneration. Total remuneration was £20.4k in 2024 (2023: £17.5K).

No other member of Court, 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 (2023: £nil). Reimbursements for travel expenses, where this meets the threshold for disclosure, have been disclosed as part of Note 29 Related Parties.

8. Interest payable and other finance costs

	Consolidated		Institution	
	2024	2023	2024	2023
	£000	£000	£000	£000
Loan interest	4,368	4,381	4,368	4,380
Net charge on pension assets	(1,599)	1,346	(1,599)	1,346
Investment management charges	24	37	24	37
Exchange differences	(608)	1,436	(801)	326
	2,185	7,200	1,992	6,089

The net (return)/charge on pension assets comprises a charge of £1,329,000 (2023: £2,083,000 charge) in relation to USS as well as a return of £2,928,000 (2023: £737,000 return) in relation to LPE.

9. Analysis of operating expenses by activity

	Consolidated		Institution	
	2024	2023	2024	2023
	£000	£000	£000	£000
Academic departments	16,823	15,751	16,399	15,765
Academic services	12,432	10,507	12,227	10,116
Administration and central services	51,789	56,209	48,462	52,289
Premises	30,480	28,218	27,528	23,649
Residences, catering and conferences	2,270	2,357	1,951	2,025
Research grants and contracts	13,036	11,530	13,006	11,502
	126,830	124,572	119,573	115,346
Other operating expenses include:				
External auditor’s remuneration audit	760	648	571	565
Internal auditor’s remuneration	114	128	114	128
Operating lease rentals				
- land and buildings	8,156	10,060	7,719	6,271
- other	91	156	35	27

10. Taxation

	Consolidated		Institution	
	2024	2023	2024	2023
	£000	£000	£000	£000
UK corporation tax at 25% (2023: 25%)	53	58	-	-

11. Intangible fixed assets

	ERP	Other	Assets in the course of construction	Total 2024
	£000	£000	£000	£000
Consolidated & Institution				
Cost or valuation				
At 1 August 2023	11,101	5,967	26	17,094
Additions	3,168	1,477	802	5,447
Completions	-	73	(73)	-
Transfer from Tangible assets	-	1,993	-	1,993
At 31 July 2024	14,269	9,510	755	24,534
Amortisation & Impairment				
At 1 August	8,440	1,688	-	10,128
Charge for year	540	1,294	-	1,834
Impairment in year	3,168	-	-	3,168
Transfer from Tangible assets	-	1,755	-	1,755
At 31 July 2024	12,148	4,737	-	16,885
Net Book Value				
At 31 July 2024	2,121	4,733	755	7,649
At 1 August 2024	2,661	4,279	26	6,966

Intangible assets comprise the development costs of new online course content and online education services. Amortisation for the year is shown within “Depreciation, Amortisation & Impairment” in the Statement of Comprehensive Income and Expenditure.

Intangible assets in the course of construction comprises online course content not yet complete as at 31 July 2024. The Enterprise Resource Planning (ERP) system has an impairment of value in use, due to expected functionality not having been delivered. As at 31 July 2024, both Phase 1 and Phase 2 are considered complete and have been transferred out of assets in the course of construction.

12. Tangible fixed assets

	Land & Buildings	Panmure House	Equipment	Assets in the course of construction	Total 2024
	£000	£000	£000	£000	£000
Consolidated					
Cost or valuation					
At 1 August 2023	339,302	3,700	36,133	6,190	385,325
Additions	160	-	1,979	13,533	15,672
Completions	4,002	-	8,314	(12,316)	-
Revaluation	-	300	-	-	300
Disposals	-	-	(360)	-	(360)
Transfer to Intangible Assets	-	-	(1,993)	-	(1,993)
Foreign Exchange Movement	(3)	-	(51)	-	(54)
At 31 July 2024	343,461	4,000	44,022	7,407	398,890
Depreciation & Impairment					
At 1 August 2023	116,905	290	19,302	-	136,497
Charge for year	10,822	91	4,709	-	15,622
Revaluation	-	(381)	-	-	(381)
Disposals	-	-	(360)	-	(360)
Transfer to Intangible Assets	-	-	(1,755)	-	(1,755)
Foreign Exchange Movement	(72)	-	(70)	-	(142)
At 31 July 2024	127,655	-	21,826	-	149,481
Net Book Value					
At 31 July 2024	215,806	4,000	22,196	7,407	249,409
At 1 August 2023	222,397	3,410	16,830	6,190	248,827

	Land & Buildings	Panmure House	Equipment	Assets in the course of construction	Total 2024
	£000	£000	£000	£000	£000
Institution					
Cost or valuation					
At 1 August 2023	299,869	3,700	31,887	2,868	338,324
Additions	160	-	1,807	12,327	14,294
Completions	664	-	7,603	(8,267)	-
Revaluation	-	300	-	-	300
Disposals	(1)	-	(360)	-	(361)
Transfer to Intangible Assets	-	-	(1,993)	-	(1,993)
Foreign Exchange Movement	34	-	3	-	37
At 31 July 2024	300,726	4,000	38,947	6,928	350,601
Depreciation & Impairment					
At 1 August 2023	107,614	290	15,394	-	123,298
Charge for year	9,882	91	4,595	-	14,568
Revaluation	-	(381)	-	-	(381)
Disposals	-	-	(360)	-	(360)
Transfer to Intangible Assets	-	-	(1,755)	-	(1,755)
Foreign Exchange Movement	(37)	-	(21)	-	(58)
At 31 July 2024	117,459	-	17,853	-	135,312
Net Book Value					
At 31 July 2024	183,267	4,000	21,094	6,928	215,289
At 1 August 2023	192,255	3,410	16,493	2,868	215,026

The land and buildings of Heriot-Watt Services Ltd are subject to first standard security in respect of the grants received from sportscotland. Included in cost for the Group is £6,712,000 (2023: £6,162,000) relating to assets in the course of construction, of which £5,143,000 (2023: £5,934,000) relates to freehold land and buildings and £2,107,000 of related equipment (2023: £257,000). At 31 July 2024 land and buildings for the group included £5,188,000 (2023: £5,188,000) in respect of freehold land which is not depreciated. Panmure House included £900,000 (2023: £900,000) in respect of freehold land which is not depreciated.

13. Investment

	Consolidated		Institution	
	2024	2023	2024	2023
	£000	£000	£000	£000
Non-current investments				
Investment in subsidiaries (a)	-	-	5,471	5,374
Investment properties (b)	14,500	15,100	14,500	15,100
Other investments (c)	35,997	33,408	35,897	33,408
	50,497	48,508	55,868	53,882

	Consolidated		Institution	
	2024	2023	2024	2023
	£000	£000	£000	£000
Current investments				
Fixed term interest deposits	1,879	2,500	1,879	2,500
	1,879	2,500	1,879	2,500

		Institution	
		2024	2023
		£000	£000
(a) Investment in subsidiaries			
As at 1 August		5,374	5,471
Fair Value adjustments		97	(97)
As at 31st July		5,471	5,374

	Consolidated		Institution	
	2024	2023	2024	2023
	£000	£000	£000	£000
(b) Investment properties				
As at 1 August				
Revaluation	15,100	13,850	15,100	13,850
As at 31 July	(600)	1,250	(600)	1,250
	14,500	15,100	14,500	15,100

	Consolidated		Institution	
	2024	2023	2024	2023
	£000	£000	£000	£000
Other investments (c)				
As at 1 August	33,408	26,504	33,408	26,504
Additions	10,677	10,239	10,577	10,239
Disposals	(10,123)	(2,237)	(10,123)	(2,237)
Fair Value adjustments	2,019	(1,098)	2,019	(1,098)
Change in FX rate	16	-	16	-
As at 31st July	35,997	33,408	35,897	33,408

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.

Heriot-Watt University holds investment in the Malaysia subsidiary of £3.3m. Under the same assumptions as above for the loan, the University does not consider the investment to be impaired. No adjustment has been made to the financial statements in respect of the investment in subsidiary held by Heriot-Watt University in Heriot-Watt Malaysia.

14. Stock

	Consolidated		Institution	
	2024	2023	2024	2023
	£000	£000	£000	£000
General consumables	19	16	-	-

15. Trade and other receivables

	Consolidated		Institution	
	2024	2023	2024	2023
	£000	£000	£000	£000
Amounts falling due within one year:				
Research grants receivables	33,966	23,319	33,966	23,319
Trade receivables	9,632	10,900	8,254	9,753
Trade debt provision	(989)	(1,806)	(819)	(1,683)
Prepayments and accrued income	10,465	9,793	9,129	9,475
Amounts due from group undertakings	-	-	17,826	15,716
	53,074	42,206	68,356	56,580
Amounts falling due after more than one year:				
Loans by parent undertakings	-	-	13,722	13,322
	53,074	42,206	82,078	69,902

Research grants receivable represent only accrued research income.

Included in prepayments and accrued income is £294,000 (2023: £814,000) 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. Creditor: amounts falling due within one year

	Consolidated		Institution	
	2024	2023	2024	2023
	£000	£000	£000	£000
Unsecured loans	1,032	385	999	385
Grants in advance for research	36,957	46,215	36,675	46,086
Other grants in advance	2,482	1,601	2,482	1,601
Other creditors	891	153	891	153
Trade creditors	13,147	8,810	12,350	8,264
Other taxation and social security	4,169	3,133	4,100	3,220
Accruals and deferred income	46,244	43,901	42,805	41,479
Amounts owed to subsidiary undertakings	-	-	4,145	3,700
	104,922	104,198	104,447	104,888

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

	Consolidated		Institution	
	2024	2023	2024	2023
	£000	£000	£000	£000
Unsecured loans	144,626	145,532	144,296	145,532
Deferred income	88,740	86,414	64,372	61,645
Other creditors	4,366	5,005	-	-
	237,732	236,951	208,668	207,177

Analysis of secured and unsecured bank loans

	Consolidated		Institution	
	2024	2023	2024	2023
	£000	£000	£000	£000
Due within one year or on demand	1,032	1,014	999	1,014
Due between one and two years	445	629	412	629
Due between two and five years	22,971	23,019	22,872	23,019
Due in five years or more	121,210	121,255	121,012	121,255
	145,658	145,917	145,295	145,917

Unsecured loans outstanding at 31 July 2024

	Amount £'000	Repayable	Interest rate %	Borrower
Scottish Funding Council Salix loans	435	2025	0.00%	University
Legal & General Assurance Society Ltd	15,000	2027	2.14%	University
Massachusetts Mutual Life Insurance Co. (USD loan)	3,428	2027	2.99%	
Great-West Life & Annuity Insurance Co.	234	2027	2.99%	University
NY Trust (Barings) (USD loan)	3,350	2027	2.99%	University
Great-West Life & Annuity Insurance Co. (USD loan)	7,791	2029	3.08%	
Scottish Funding Council Salix loans	946	2029	0.25%	University
Legal and General Assurance Society	30,000	2031	2.97%	University
LTA Tennis Association	362	2035		
Massachusetts Mutual Life Insurance Co.	27,400	2036	3.22%	University
Great-West Life & Annuity Insurance Co.	10,000	2036	3.22%	University
Great-West Life & Annuity Insurance Co.	2,600	2036	3.22%	University
Scottish Funding Council Salix loan	1,121	2041	0.25%	University
Scottish Funding Council Salix loan	620	2041	0.25%	University
Great-West Life & Annuity Insurance Co.	17,000	2041	3.31%	University
Pension Protection Fund	25,000	2046	3.31%	University
Scottish Funding Council Salix loan	371	Revolving	0.00%	University
	145,658			

18. Provision for liabilities

	Pension Provisions			Total £000
	Obligation to fund USS deficit £000	Lothian Pension Fund £000	Unfunded pension benefits £000	
Consolidated				
At 1 August 2023	58,094	-	202	58,296
Utilised in year	-	(3,892)	(28)	(3,920)
Additions	1,329	3,892	-	5,221
Release of provision	(59,423)	-	-	(59,423)
At 31 July 2024	-	-	174	174
Analysis of net movement in provision				
Charged to staff costs (note 7)	(59,423)	(612)	(28)	(60,063)
Net charge on pension assets (note 8)	1,329	(2,928)	-	(1,599)
Actuarial loss on pension schemes	-	7,262	-	7,262
Restriction of loss	0	(3,722)	-	(3,722)
Total movement	(58,094)	-	(28)	(58,122)
Institution				
At 1 August 2023	58,094	-	202	58,296
Utilised in year	-	(3,892)	(28)	(3,920)
Additions	1,329	3,892	-	5,221
Release of provision	(59,423)	-	-	(59,423)
At 31 July 2024	-	-	174	174
Analysis of net movement in provision				
Charged to staff costs (note 7)	(59,423)	(612)	(28)	(60,063)
Net charge on pension assets (note 8)	1,329	(2,928)	-	(1,599)
Actuarial gain on pension schemes	-	7,262	-	7,262
Restriction of surplus	-	(3,722)	-	(3,722)
Total movement	(58,094)	-	(28)	(58,122)

The obligation to fund the past deficit on the Universities Superannuation Scheme (USS) arose from the contractual obligation with the USS to fund deficit payments in accordance with the deficit recovery plan. The most recent valuation was as at 31 March 2023. The value of the assets of the Scheme was £73.1bn and the value of the Scheme’s technical provisions was £65.7bn indicating a surplus of £7.4bn and a funding ratio of 111%. As at 31 July 2024, no contractual obligation with the USS to fund deficit payments exists and the provision has been released.

The assets and liabilities of the Lothain Pension Fund (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.

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 when it arose.

USS deficit

The 2023 triennial valuation was completed 20 December 2023 and the changes arising on its completion were implemented in January 2024. The deficit recovery plan which was in operation prior to the 2023 valuation resulted in a provision of £58.1m as at 31 July 2023. The termination of the deficit recovery plan resulted in the provision held of £58.1m being released in the current year. The provision at 31 July 2024 is nil.

Lothain Pension Fund (LPF)

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. It was determined that the University should not recognise the surplus in respect of the University’s participation in the Lothian Pension Fund with a nil pension asset/liability recognised.

Unfunded pension benefits

The unfunded pension benefit provision is held against legacy pension benefits that are not held in a registered pension scheme and are paid direct to qualifying retired members by the University. The costs are charged against the unfunded pension benefit provision when they arise.

19. Endowment reserves

	Consolidated			
	2024	2024	2024	2023
	Restricted permanent endowments	Expendable endowments	Total	Total
	£000	£000	£000	£000
Balances at 1 August 2023				
Capital	8,712	2,156	10,868	10,772
Accumulated income	1,069	321	1,390	1,587
	9,781	2,477	12,258	12,359
New endowments	-	158	158	1
Investment income	270	51	321	(92)
Expenditure	(34)	(339)	(373)	(106)
	10,017	2,347	12,364	12,162
Increase/(decrease) in market value of investments	656	162	818	96
As at 31 July 2024	10,673	2,509	13,182	12,258
Represented by:				
Capital	9,367	2,318	11,685	10,868
Accumulated income	1,306	191	1,497	1,390
	10,673	2,509	13,182	12,258
Analysis by type and purpose:				
Lectureships	1,908	1,261	3,169	2,859
Scholarships and bursaries	5,186	647	5,833	5,458
Prize funds	2,134	138	2,272	1,892
General	1,445	463	1,908	2,049
	10,673	2,509	13,182	12,258
Analysis by assets:				
Current and non-current asset investments			11,685	10,868
Cash and cash equivalents			1,497	1,390
			13,182	12,258

20. Restricted reserves

	Consolidated			
	Research	Donations	Total	2024
	£000	£000	£000	£000
Balances at 1 August 2023	6,803	4,772	11,575	15,384
New Grant	-	-	-	15
New donations	-	1,149	1,149	-
Investment income	-	182	182	52
Expenditure	(2,512)	(502)	(3,014)	(3,415)
Increase/(decrease) in market value of investments	-	36	36	(461)
As at 31 July 2024	4,291	5,637	9,928	11,575
Analysis of other restricted funds/donations by type and purpose:				
Lectureships	-	742	742	649
Scholarships and bursaries	-	1,680	1,680	1,542
Research support	4,291	-	4,291	6,803
Prize funds	-	3,187	3,187	25
General	-	28	28	2,506
	4,291	5,637	9,928	11,525

21. Cash and cash equivalents

	Consolidated	
	2024	2023
	£000	£000
Balances at 1 August 2023	99,732	112,619
Cash flows in year	(21,090)	(12,887)
As at 31 July 2024	78,642	99,732

22. Consolidation reconciliation of net debt

	Consolidated	
	2024	2023
	£000	£000
Net debt 1 August 2023	(46,185)	(34,925)
Movement in cash and cash equivalents	(21,090)	(12,887)
Other non-cash changes	867	191
Changes in market value and exchange rates	(608)	(1,435)
Net debt as at 31 July	(67,016)	(46,185)
Change in net debt	(20,831)	(11,260)
Analysis of net debt:		
Cash and cash equivalents	78,642	99,732
Borrowings: amounts falling due within one year		
Unsecured loans	(1,032)	(385)
Borrowings: amounts falling due after one year		
Unsecured loans	(144,626)	(145,532)
Net debt as at 31 July 2024	(67,016)	(46,185)

23. Capital and other commitments

	Consolidated	
	2024	2023
	£000	£000
Provisions have not been made for the following capital commitments as at 31 July 2024		
Commitments contracted	4,429	3,272
Authorised but not contracted	9,999	6,069
	14,428	9,341

24. Lease obligations

	31 July 2024			2024	2023
	Land and buildings	Plant and machinery	Other leases	Total	Total
	£000	£000	£000	£000	£000
Consolidated (Group)					
Payable during the year	7,492	56	35	7,583	10,216
Future minimum lease payment due					
Not later than 1 year	7,825	5	24	7,854	10,145
Later than 1 year and not later than 5 years	32,024	3	30	32,057	40,154
Later than 5 years	33,554	-	-	33,554	57,318
Total future minimum lease payment due	73,403	8	54	73,465	107,617
Institution					
Payable during the year	6,515	-	35	6,550	6,298
Future minimum lease payment due					
Not later than 1 year	6,491	-	24	6,515	6,300
Later than 1 year and not later than 5 years	25,352	-	30	25,382	24,989
Later than 5 years	6,108	-	-	6,108	14,739
Total future minimum lease payment due	37,951	-	54	38,005	46,028
Total Rental receivable under operating lease	As at July 2024			2024	2023
	Land and buildings	Plant and machinery	Other leases	Total	Total
	-	-	-	£000	£000
Consolidated and Institution					
Future minimum lease payment due					
Not later than 1 year	814	-	24	838	819
Later than 1 year and not later than 5 years	2,743	-	33	2,776	2,822
Later than 5 years	43,623	-	-	43,623	45,443
Total future minimum lease payment due	47,180	-	57	47,237	49,084

Contingent rents receivable recognised in the Statement of Comprehensive income during 2024 were £814k (2023:£819k).

On 25 June 2024 Heriot-Watt Malaysia entered into the third amendment of its lease on the Heriot-Watt Campus building, Suite 2-4 Level 2, Tower Block, Menara Millenium, Kuala Lumpa dated 20 August 2014, the First Supplemental Lease Agreement dated 1 August 2018, and the Second Supplemental Agreement dated 25 July 2019. The third amendment agreed that the lease payments would be reduced from RM9.0 per square foot for years 10 through expiry to RM3.00 per square foot for years 10 through 12, increasing by RM1.00 per square foot for every subsequent 3-year period until the expiry date with effect as of the rental period 1 February 2024. As a result Heriot-Watt Malasia received a refund payment of RM5,045,475 in August 2024.

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, this company is exempt from the requirements to prepare individual accounts virtue of s.394a of the Companies Act 2006	0	100%
Edinburgh Conference Centre Limited	Dormant, this company is exempt from the requirement to prepare individual accounts virtue of s.394a of the Companies Act 2006	100	100%
Heriot-Watt Services Limited	The management and operation of the National Performance Centre for Sport	100	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, this company is exempt from the requirement to prepare individual accounts by virtue of s.394a of the Companies Act 2006	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

The total pension (return)/charge in the financial statements reflects the impact of the release of Universities Superannuation Scheme (USS) deficit provision along with the costs incurred by the group costs during the year a return of £42,096,000, (2023: £16,344,000 charge); and is analysed as follows:

	Employer Pension Contributions (note 7)	Net charge on pensions (note 8)	Provision movement (note 18)	Consolidated	
				2024 £000	2023 £000
Universities Superannuation Scheme	12,813	1,329	(58,094)	(43,952)	11,612
Lothian Pension Fund	3,892	(2,928)	-	964	3,218
Scottish Teachers’ Superannuation Scheme	46	-	-	46	9
Other pension costs	874	-	(28)	846	1,505
	17,625	(1,599)	(58,122)	(42,096)	16,344

The pension costs are assessed in accordance with the advice of independent qualified actuaries using the projected unit method. The latest actuarial funding valuations of the USS pertaining to these accounts was at 31 March 2023, of the Lothian Pension Fund (LPF) scheme on 31 March 2023, and of the Scottish Teachers’ Superannuation Scheme on 31 March 2016.

Universities Superannuation Scheme

The Universities Superannuation Scheme (USS) is a UK-wide scheme which throughout preceding periods was a defined benefit only pension scheme. With effect from 1 October 2016, the scheme changed from defined benefit only to a hybrid pension scheme, providing defined benefits (for all members) as well as defined contribution benefits. The assets of the scheme are held in a separate trustee-administered fund.

Due to the mutual nature of the scheme, the scheme’s assets are not hypothecated to individual institutions and a scheme-wide contribution rate is set. The University is therefore exposed to actuarial risks associated with other institutions’ employees who are members of the scheme and is unable to identify its share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis. Therefore, as is required by Section 28 of FRS 102, “Employee Benefits”, the University accounts for the scheme as a defined contribution scheme. As a result, the amount charged to the Statement of Comprehensive Income represents the contributions payable to the scheme in the year. The total cost charged to the statement of comprehensive income is £12,813,000 (2023: £14,376,000) as shown above.

On conversion to FRS 102, the University in previous years has recognised a provision for the present value of the deficit reduction plan for the USS scheme. As USS is now in surplus, the provision has been released in 2024.

The 2023 valuation was the seventh 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 £73.1bn and the value of the scheme’s technical provisions was £65.7bn indicating a surplus of £7.4bn and a funding ratio of 111%.

The key financial assumptions used in the 2023 valuation are described below. More detail is set out in the Statement of Funding Principles which is available [here](#).

CPI assumption	1.0% p.a. to 2030, reducing by 0.1% p.a. from 2030
Pension increases (subject to a floor of 0%)	CPI assumption plus 0.03%
Discount rate (forward rates)	Fixed interest gilt yield curve plus: pre-retirement: 2.5% p.a.; post retirement: 0.9% p.a.

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 2023 actuarial valuations. The mortality assumptions used in these figures as follows:

Mortality base table	101% of S2PMA “light” for males and 95% of S3PFA for females
Future improvements to mortality	CMI 2021 with a smoothing parameter of 7.5, an initial addition of 0.4% p.a., 10% w2020 and w2021 parameters, and a long-term improvement rate of 1.8% pa for males and 1.6% pa for females

The current life expectancies used in the 2023 valuation on retirement at age 65 are:

	2024	2023
Males currently aged 65 (years)	23.7	24.9
Females currently aged 65 (years)	25.6	25.6
Males currently aged 45 (years)	25.4	26.0
Females currently aged 45 (years)	27.2	27.4

At 31 March 2023, the scheme’s assets exceeded the technical provisions and as such no recovery plan was needed.

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

	2023	2020
Scheme assets	£73.1bn	£66.5bn
Total scheme liabilities		.
FRS 102 total scheme surplus/(deficit)	£65.7bn	£80.6bn
FRS 102 total funding level	£7.4bn	(£14.1bn)
	111	83%

The March 2023 valuation (issued 20 December 2023) of the USS pension scheme shows the scheme returning to a surplus position of £7.4bn compared to a deficit of £14bn in March 2020. In October 2023 Universities UK and the University and College Union agreed a number of benefit improvements as well as reduction in employer and employee contribution rates. The proposals issued 20 December 2023 reduced the employer contribution rate of the University from 21.6% to 14.5% from 1 April 2024.

Lothian Pension Fund (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. 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 2024.

A net surplus of £53.8m as at 31 July 2024 (2023: £57.5m) resulted from the actuarial valuation. This surplus was not recognised as a pension asset in the financial statements as it does not meet the recognition criteria set out in FRS 102 as stated below:

1. Reduced contributions: in 2023 various accounting and audit bodies clarified that this should be assessed as the extent to which employer contributions are less than projected service costs for the life of the scheme. At 31 July 2024 the University’s projected service costs for the scheme remained below that of the planned contributions, therefore it remains appropriate no asset is recognised on this basis.

2. Refund from the scheme: the accepted accounting practice continues to be not to recognise any pension asset based on a right to refund from the scheme for scheduled bodies of a Local Government Pension Scheme. This has been on the basis that the University has no functional way to recover the asset without giving notice to leave the pension fund which would require legislative change.

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

Period Ended	2024	2023
Equities	68%	73%
Bonds	19%	15%
Property	8%	8%
Cash	5%	4%

The major assumptions at 31 July 2024 used by the actuary

	2024	2023
Pension increase rate	2.75%	3.00%
Salary increase rate	3.45%	3.50%
Discount rate	4.95%	5.05%

Life Expectancy

Life expectancy is based on the Fund’s VitaCurves with improvements in line with the CMI 2023 model, with a 15% weighting of 2023 (and 2022) data, a 0% weighting of 2021 (and 2020) data, standard smoothing (Sk7), initial adjustment of 0.25% and a long-term rate of improvement of 1.5% p.a. for both males and females. Based on these assumptions, the average future life expectancies at age 65 for the employer are summarised below:

	Males	Females
Current Pensioners	19.8 years	23.1 years
Future Pensioners*	20.6 years	24.7 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. The allowance for future improvements are shown below:

	Males	Females
Current Pensioners	19.8 years	23.1 years
Future Pensioners*	20.6 years	24.7 years

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

Please note that the mortality assumptions used to value the Obligations in the Employer’s Closing Position are different to those used to value the Obligations in the Employer’s Opening Position.

A commutation allowance is included for future retirements to elect to take 70% of the maximum additional tax-free cash up to HMRC limits. All other demographic assumptions are as per the latest funding valuation.

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

	2024			2023		
	Assets	Obligations	Net Asset / (Liability)	Assets	Obligations	Net Asset / (Liability)
	£'000	£'000	£'000	£'000	£'000	£'000
Opening Position as at 31 July:						
Fair value of plan assets	162,882	-	162,882	160,139	-	160,139
PV of funded liabilities	-	(105,180)	(105,180)	-	(138,437)	(138,437)
PV of unfunded liabilities	-	(150)	(150)	-	(162)	(162)
Restriction applied to surplus	(57,552)	-	(57,552)	(21,540)	-	(21,540)
	105,330	(105,330)	-	138,599	(138,599)	-
Defined benefit costs recognised in Profit or (Loss)						
Service costs						
Current service cost	-	(3,296)	(3,296)	-	(4,786)	(4,786)
Past service cost (including curtailments)	-	-	-	-	(140)	(140)
	-	(3,296)	(3,296)	-	(4,926)	(4,926)
Net interest						
Interest income on plan assets	8,235	-	8,235	5,609	-	5,609
Interest cost on defined benefit obligation	-	(5,307)	(5,307)	-	(4,872)	(4,872)
Total net interest	8,235	(5,307)	2,928	5,609	(4,872)	737
Total defined benefit cost	8,235	(8,603)	(368)	5,609	(9,798)	(4,189)
Cashflows						
Plan participants’ contributions	1,032	(1,032)	-	929	(929)	-
Employer contributions	3,892	-	3,892	3,955	-	3,955
Estimated benefits paid	(5,231)	5,231	-	(4,417)	4,417	-
Estimated unfunded benefits paid	(16)	16	-	(15)	15	-
Estimated contributions in respect of unfunded benefits paid	16	-	16	15	-	15
Total cashflows:	(307)	4,215	3,908	467	3,503	3,970
Expected closing position before remeasurements	113,258	(109,718)	3,540	144,675	(144,894)	(219)
Remeasurements						
Changes in financial assumptions	-	2,894	2,894	-	37,761	37,761
Changes in demographic assumptions	-	2,373	2,373	-	1,814	1,814
Other experience	(1,550)	(16,213)	(17,763)	-	(11)	(11)
Return on assets excluding amounts included in net interest	5,234	-	5,234	(3,333)	-	(3,333)
Total remeasurements recognised in Other Comprehensive Income (OCI)	3,684	(10,946)	(7,262)	(3,333)	39,564	36,231
Restriction applied to surplus recognition	3,722	-	3,722	(36,012)	-	(36,012)
Closing Position as at 31 July	120,664	(120,664)	-	105,330	(105,330)	-
Represented by:						
Fair value of plan assets	174,494	-	174,494	162,882	-	162,882
PV of funded liabilities	-	(120,514)	(120,514)	-	(105,180)	(105,180)
PV of unfunded liabilities*	-	(150)	(150)	-	(150)	(150)
Restriction applied to surplus recognition	(53,830)	-	(53,830)	(57,552)	-	(57,552)
Closing Position as at 31 July	120,664	(120,664)	-	105,330	(105,330)	-

* The unfunded obligation comprises £150,000 (2023: 150,000) in respect of Local Government Pension Scheme unfunded pension and £0 in respect of Teachers’ unfunded pension.

Sensitivity analysis

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

Change in assumptions at 31 July 2024:	Approximate % increase to Employer Liability	Approximate monetary amount (£000)
0.1% decrease in Real Discount Rate	2%	2,119
1 year increase in member life expectancy	4%	4,827
0.1% increase in the Salary Increase Rate	0%	116
0.1% increase in the Pension Increase Rate (CPI)	2%	2,043

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

The principal demographic assumption is the longevity assumption (i.e. member life expectancy). For sensitivity purposes, it is estimated 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).

In order to quantify the impact of a change in the financial assumptions used, calculations and comparisons are made to the value of the scheme obligations at the accounting date on varying bases. The approach taken is consistent with that adopted to derive the figures provided above, based on the profile (average member ages, retirement ages etc) of Heriot-Watt as at the date of the most recent valuation.

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. The remedy remains uncertain. 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 2024.

Virgin Media Disclosure

In June 2023, the UK High Court (Virgin Media Limited v NTL Pension Trustees II Limited) ruled that certain historical amendments for contracted-out defined benefit schemes were invalid if they were not accompanied by the correct actuarial confirmation. Part of the High Court decision was appealed, and the Court of Appeal was asked to consider whether the actuary’s written confirmation was only required if an alteration to the rules of the scheme affected pension benefits attributable to past service at the date of the alteration, OR whether the actuary’s confirmation was also required if the alteration affected the pension benefits that a member would earn by future services. In a decision handed down on 25 July 2024, the court dismissed the appeal and confirmed in relation to alterations made between 6 April 1997 and 5 April 2013, section 9(2B) rights included both past service rights and future service rights.

The Local Government Pension Scheme is a contracted out defined benefit scheme and amendments have been made during the period 1996 to 2016 which could impact member benefits. Work is being performed by the Government Actuary’s Department as the Local Government Pension Scheme actuary to assess whether section 37 certificates are in place for all amendments and some of these have been confirmed however, at the date of these financial statements, the full assessment is not complete. Until this analysis is complete, we are unable to conclude whether there is any impact on the assessed actuarial present value of promised retirement benefits under FRS 102, or if it can be reliably estimated. As a result, Lothian Pension Fund does not consider it necessary to make any allowance for the potential impact of the Virgin Media case in the disclosure of the actuarial present value of promised retirement benefits in its financial statements.

Scottish Teachers’ Superannuation Scheme

The Scottish Teachers’ Superannuation Scheme (STSS) is an unfunded multi-employer defined benefit only pension scheme. Contribution rates to the scheme for employees are tiered, in a range 7.35% to 12.14% of pensionable salary and 26% for employers with effect from 1 April 2024, a change from the previous rate of 7.2% to 11.9% of pensionable salary and 22.4% for employers.

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

The latest actuarial assessment was carried out as at 31 March 2016, with no further valuations completed to date. The scheme had total liabilities, for service to 31 March 2016 of £22.8bn and notional assets of £21.5bn giving a notional past service deficit of £1.3bn.

The total pension cost for the University was £46k (2023: £37k). This includes £6k (2023: £6k) of outstanding contributions at the year end.

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.

The employer’s costs for the year ended 31 July 2024 was £16k (2023: £33k).

Heriot-Watt Services Ltd 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 2024 was £77,673 (2023: £62,552).

27. Financial instruments

	Consolidated	
	2024 £000	2023 £000
Financial assets	96,872	84,831
Assets held at amortised cost	78,642	99,732
Cash & cash equivalents	175,514	184,563
Financial Liabilities held at amortised cost		
Liabilities held at amortised cost	45,052	37,692
Loan held at amortised cost	144,626	145,532
	189,678	183,224

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.

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.

	Consolidated	
	2024 £000	2023 £000
Financial assets	42,609	34,300
Trade debtors and other receivables	78,642	99,732
Cash and cash equivalents	121,251	134,032

Material risk

Material 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:

	Consolidated	
	2024 £000	2023 £000
Fixed rate instruments		
Financial liabilities	(144,626)	(145,532)
Variable rate instruments		
Financial assets	52,376	48,508

Currency rate 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.

Fair values

	Consolidated	
	2024 £000	2023 £000
Trade debtors and other receivables	42,608	32,413
Cash and cash equivalents	78,642	99,732
Trade creditors and other payables	(45,052)	(37,691)
Long term borrowings	(145,658)	(145,917)

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. 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.

28. 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.

	Childcare	Hardship	International Fund	Total	Total
	2024	2024	2024	2024	2023
	£000	£000	£000	£000	£000
At 1 August 2023	22	14	44	80	474
Repaid to funding body	(22)	(14)	(44)	(80)	(474)
Funding Council grants	48	181	5	234	360
Disbursed to students	(15)	(123)	(57)	(195)	(280)
Virements	-	(52)	52	-	-
Balance unspent at 31 July 2024	33	6	-	39	80
Repayable to funding body	33	6	-	39	80

29. Related Parties

Due to the nature of the University's activities and the composition of Court being drawn from both 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 materiality threshold of £5,000 has been applied in the preparation of this note.

Remuneration of key management personnel are disclosed in Note 7 to the accounts.

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 [here](#).

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).

	Income	Expenditure	Balance due to Group at 31/07/24	Balance due from Group at 31/07/24
	£000	£000	£000	£000
Heriot-Watt Student Union	144	857	15	-
Jones Laing LaSalle Inc (JLL)	-	105	-	-
University of Highlands and Islands (UHI)	12	-	-	-
University of Newcastle	45	95	-	-
Department for Business and Trade	103	-	-	-
InnoScot Health Limited	-	43	-	-

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

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.