



UK | DUBAI | MALAYSIA

REPORTS AND FINANCIAL STATEMENTS

For the year ended
31 July 2023



UK



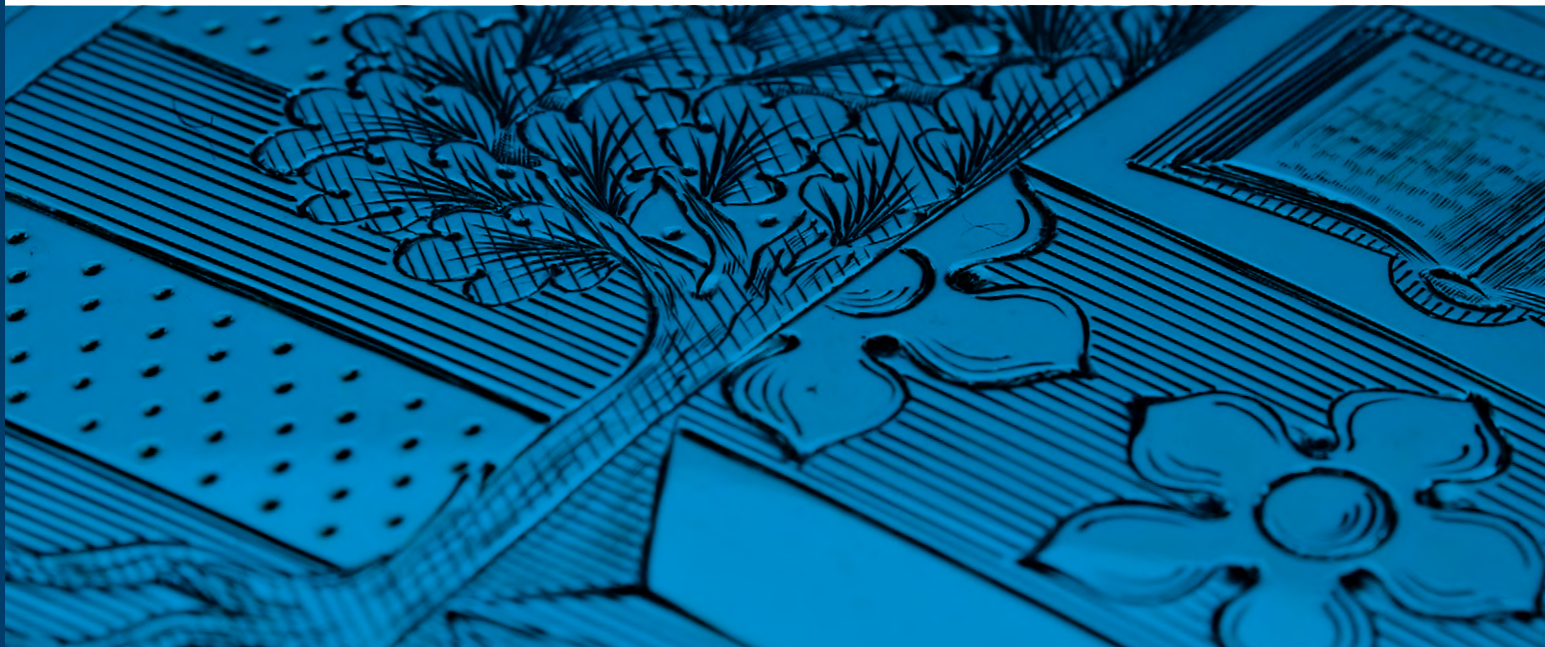
DUBAI



MALAYSIA

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PRINCIPAL'S REPORT



WELCOME AND PRINCIPAL AND VICE CHANCELLOR'S REPORT

Our University is over half-way through its Strategy 2025, which puts its people and sense of purpose at the centre of its mission. The disruption posed by the pandemic is behind us, but its impact was still evident in the year under review, and so we have needed to place even greater importance on our core ethos of opening up accessibility to education, and to driving change through research excellence, while being a place of strong convening power to support the addressing of global challenges.

This year, we were delighted to extend a warm welcome to our new Chair of Court, Bruce Pritchard, who took up his post in October 2022. We also want to place on record our thanks to Morag McNeil, our Deputy Chair, for having served as our Interim Chair following the resignation due to ill health of our former Chair, the late Grant Innes. Morag's commitment to our institution was especially commendable, taking over as she did at short notice during the disruption caused by the pandemic.

Our new Chair was in post in good time to help us celebrate our arrival into the QS250. This is the QS world university rankings, recognised as industry leading analysis of the top performing universities across the world. Our entry to this is three years ahead of the aspiration we had set out in Strategy 2025. These types of achievements do not happen by chance; as I reported last year, we had established a dedicated group to review our rankings and ensure that our reputation reflected the achievements made by our academic colleagues across the institution.

We always remember that we were founded to provide opportunities for upskilling, to deliver new career pathways for our students, and also access to higher education for those who might otherwise not get that chance. I am proud that we continue to deliver on the mission and vision of those who established our institution back in 1821. Our outcomes are among the best in the United Kingdom; in the 2023 Graduate Outcomes Survey in the UK, we achieved outstanding results. We were ranked 1st in Scotland and 5th across the UK for our undergraduate outcomes, and 1st in Scotland and 2nd in the UK for postgraduate outcomes, achieving our top decile target, like our QS250 target, well ahead of schedule.

We had disappointments as well. We reported a loss for the year, a direct consequence of both deliberate investment in future growth opportunities, and inflation delivering us a higher-than-expected cost base. The National Student Survey did not show the improvement we had hoped for, and the Executive is focused on new and different ways to address the student experience across all our campuses during the 2023/24 year.

Each academic year creates opportunity and risk for all higher educational institutions globally, and the 2022/23 year was no exception. This was the first full post-pandemic year for our university, and one where we adopted the three themes of Stabilise and Support, Transforming, and Growth, to communicate our priorities and guide our decisions.

Stabilising and supporting the University, after both exogenous (the pandemic) and endogenous (the transfer to a new enterprise reporting system, and the move to a shared services model), was essential to give our colleagues the confidence and the platform from which to continue to pursue our stated strategy. We invested resources to accelerate the restoration of timely and accurate management information, and to provide effective operational support for our academic colleagues. We have also advanced and refreshed our 'American Friends of Heriot-Watt University' (501c3) Board and are grateful to past and current trustees for their gracious commitment to the University.

Transforming our organisation to one with six, not five Schools, following the approval in the previous year to create a Global College to provide a pathway to our degrees. This built on our already successful Foundation pathways in Malaysia and Dubai and united them in one primary academic unit, with the first students in Scotland recruited during the year to commence in September 2023.

Growth was achieved as we pressed forward with plans that had been formulated and approved at the height of the pandemic; among other developments we completed and opened the National Robotarium, and we welcomed record numbers of students, with particular growth at our new Dubai campus and in applications for the Global College.

Since the inception of Strategy 2025, there have been some notable changes that set the scene for our future direction and our future financial needs to deliver impact and opportunity. We have been purposeful in the following six ways:

1. Driving forward on achieving accessibility in an extraordinary way - last year, 29% of our entrants registered to study with us directly as a result of an intervention we chose to make; examples being scholarships for low-income Asian families; MBA delivery in refugee camps; Master's-level degree provision for rural African communities in renewable energy; schemes to promote women in Science, Technology, Engineering, and Mathematics (STEM); and support of BME and deaf communities. Some of these actions were enabled through our bicentenary 1821 Appeal. Our new School, Heriot-Watt Global College, enables us to reach out to different communities to engage and prepare students to enrol who otherwise would not be able to gain a Heriot-Watt education.

2. Growing our positive education model - this seeks to create individuals who have a strong sense of individual purpose such that they can express, in a personal way, the areas of impact they wish to have on the future world and society. Students and researchers with this mindset display extreme emotional intelligence and life skills (and sometimes referred to as 'soft skills') as the crucial skills of the future workforce. At a time of significant climate challenge we are adopting the creation of impact statements for students and staff as we collectively aim to drive global change

3. Committing to be a lighthouse of best practice in global sustainability by adopting a number of commitments that we are operationalising. For example, we have this year developed plans for a Net Zero Community Hub (a real building and cyber physical community) to develop ourselves and all our alumni in envisioning, curating and creating a life that can go beyond net zero. In addition, through our development of Adam Smith's Panmure House we have established a centre for new financial enlightenment and committed to stimulating research, policy and action in the area of sustainable capitalism, with the support of Ballie Gifford and other donors.

4. Establishing four convening platforms - we call them Global Research Institutes (GRIs) - that take some of our leading research areas in academic Schools and weave them together to provide a platform for collaboration to work with others to address selected global challenges. The four areas are: Healthcare Engineering, Human-centred AI and Robotics; Marine and Earth Sciences; and Global Sustainability in delivering a global beyond net zero society. This year saw the opening of the National Robotarium, and approval granted to move forward with our iNetZero+ research institute, adding to our two pre-existing GRIs. These are the health and care technology research institute approved in the previous year, and the Lyell Centre, that was established in partnership with the British Geological Survey several years ago. We have also this year laid the groundwork for a University Campaign to raise philanthropic funds to support our research.

5. Developing our leaders. This year saw the launch of the University's new Global Leadership Programme, a proprietary programme that we developed based on three modules of our award-winning MBA. Designed to equip our high potential emerging leaders with the ability to manage people, manage resources and lead, specifically within a higher education context, its three modules span a year and are delivered in turn in our three major campuses in Malaysia, Dubai, and Edinburgh. The first cohort of 18, divided equally between academic and professional services colleagues, commenced their studies in May 2023.

6. Being a force for good and change in our physical locations In Scotland, Malaysia, and the United Arab Emirates, adding value to the communities in which we work. Alongside our Pro-Chancellor in Malaysia, Tan Sri Jemilah Mahmood, who was appointed in the prior year, we appointed Dr Raja Al Gurg as our Pro-Chancellor in Dubai. They provide inspirational leadership for our staff and students and support our mission through advocacy.

Post-balance sheet events

Events beyond our financial year end have continued to reinforce our vision and mission as a University. In August 2023 we signed an agreement to establish large-scale partnership with Zhubanov University in Aktobe, Kazakhstan. The first cohort of 300 students, who will be undertaking their first year through the Global College, commenced their studies in September. We also continued to have significant grant success. In October 2023 we were part of a consortium that secured £4.7m funding from the Engineering and Physical Sciences Research Council (EPSRC) to support the growth of the photonics sector across Scotland's central belt. This was one of ten place-based projects supported by EPSRC and we were also successful in one of the others, being part of a consortium that has been awarded £2.7m to examine how advancements in technology could move treatments away from large hospitals and into more accessible community settings such as GP surgeries or even a patient's home. We were delighted to be awarded, in November 2023, a new Centre for Doctoral Training, in Dependable and Deployable Artificial Intelligence for Robotics. We have also, since year end, advanced our discussions with our preferred partner for our Research Park, which will help to expand research and development on our Edinburgh Campus.

The future

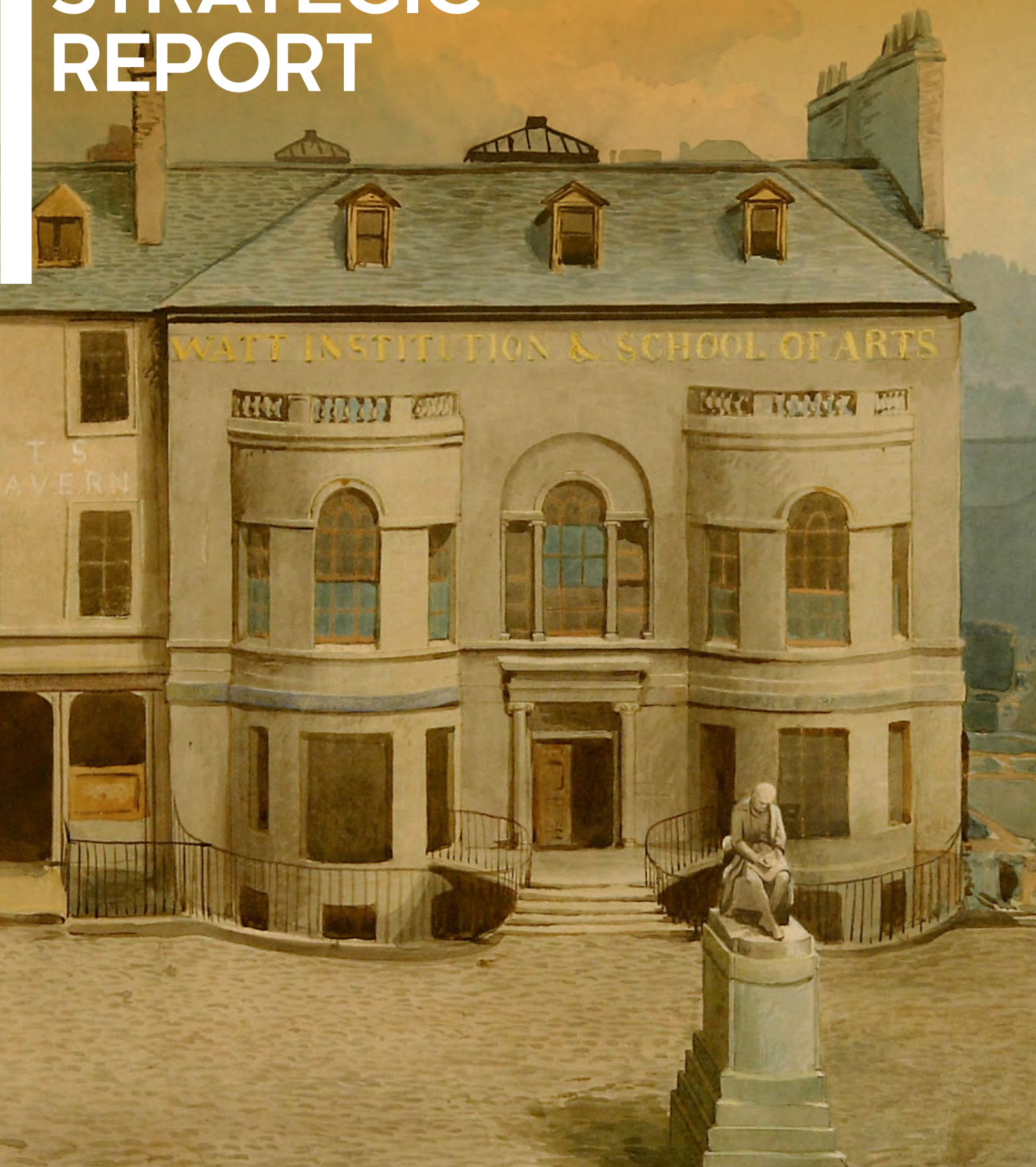
Heriot-Watt's purpose-led approach supports our aspirations as a University, which are to deliver impact and opportunity on a multi-national scale and in our frontier and specialist areas. We look forward to continuing to support our staff and students, to add value to the communities in which we work, and to develop solutions to the major challenges of the world while supporting economic growth in all our campus locations.

In closing, I would like to thank my colleagues for all their hard work during the year, and for their commitment to our distinctive University as it navigates the challenges and opportunities ahead of us.



Professor Richard A. Williams
Principal and Vice Chancellor

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:

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



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 PURPOSE

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

OUR VISION

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

OUR MISSION

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

OUR ETHOS

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

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



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Environmental Sustainability

Running through all four of our strategic themes, our commitment to environment sustainability is the common thread that unites all our activities.

Climate change, the defining global sustainability challenge of our time, demands a response of unparalleled scale and pace that will involve us all as individuals, organisations and societies. As a pioneering University with strengths aligned to climate change mitigation and adaptation, our ambition is to play a leading role in the global response both as a multinational institution and through the education of our community.

During the year we have approved a governance structure for Global Environmental Sustainability strategy to help evolve our activities and policies and to deliver our ten institutional commitments to sustainability. A core Sustainability Management Team led by Professor Mercedes Maroto-Valer, our Deputy Principal of Global Sustainability, meets regularly, and there are several delivery boards and working groups that report to them.

We stated during the year that we would prioritise reducing emissions through our own action and engagement across our community, reducing our emissions on a trajectory designed to achieve net zero carbon emissions between 2030 and 2035. Our initiatives will span the University's campuses and will impact almost every element of how we operate, from how we construct and service our buildings to how we travel, from how we source energy to the varieties of food and drink that we serve. We will publish our Climate Action Framework during the 2023/24 year, and details of progress towards meeting our Net Zero targets will be updated annually. The plan forms a core delivery for our Global Environmental Sustainability Strategy, with the University driving its activities through our ten institutional commitments which we approved by Court.

Each of our campuses presents unique sustainability opportunities and challenges. The transition from gas-fired heating presents the major decarbonisation challenge at our Edinburgh campus, while our Orkney campus is linked with cutting-edge renewable energy innovation. A "Heat from Wastewater", renewable energy scheme is helping to enable our journey to net zero at our Scottish Borders campus, while

Leadership through action	
COMMITMENT 1 > We will inform, empower and support our global community in taking personal and collective action to assist in delivering the SDGs COMMITMENT 3 > We will support our signing of the Sustainable Development Goal Accord at an institutional level.	COMMITMENT 2 > We will commit to achieving NetZero carbon emissions by suitably ambitious date, between 2030 and 2035 depending on outcome of detailed planning.
Thought leadership and foresighting	
COMMITMENT 4 > We will utilise the convening power of Panmure House to promote discussion and debate to encourage fresh thinking on how to achieve the SDGs. COMMITMENT 6 > We will adopt a Strategic Environmental Assessment (SEA) process.	COMMITMENT 5 > We will challenge ourselves, industry and national government to achieve progress towards SDGs
World-leading research, teaching and enterprise	
COMMITMENT 7 > We will map and align our global presence in educational excellence and world-leading research with the UN SDGs COMMITMENT 9 > We will demonstrate and quantify the potential global impact of the radical innovations in research and policy.	COMMITMENT 8 > We will create a Global Research Institute in NetZero aligned with an international Skills Academy for "green jobs" COMMITMENT 10 > We will seek to develop and enterprise accelerator programme to support start-up companies with radical approaches to carbon innovation

our award-winning Dubai and Malaysia campuses are at the forefront of technical innovation for green building standards.

Despite significant growth in our physical estate and recovery of activity following the Covid-19 pandemic, our Public Bodies Climate Change Duties (PBCCD) reportable emissions from our Scotland campuses, reported in November 2022, were reduced by more than 50% in 2021/22 (to 12,305tCO₂e from 21,583tCO₂e) relative to the stated baseline in 2014/15. Our priorities in 2022/23 have included a focus on further optimisation of existing building services and energy systems, which has yielded significant energy savings across both electricity and gas. We have also continued with energy retrofit projects, including further LED lighting retrofit supported by the University's Salix Recycling Fund,

and ongoing work to develop our approach to decarbonising heat.

We allocated resources during the year to the development of a climate advocacy course that we expect to launch in the 2023/24 year, and which will initially be available to our students before opening it up for our staff and alumni. This year the students launched a Net Zero Society, and we celebrated our first student awards for sustainability-related volunteering. We also continued our planning for our New Zero Community Hub. We envisage the primary mission of such a Hub would be to accelerate our transition to a net zero global community through engagement. It is an opportunity to drive impactful community action, our community is each of us – students, staff, alumni and local groups. It will also establish a digital community, accessible globally. The digital presence will include a virtual interface giving remote access to exhibits through emulating events via the web. We also participated in The Royal Anniversary Trust's "Accelerating towards Net Zero," an ambitious roadmap for carbon reduction in the tertiary education sector. The report is the result of a year-long research project – The Platinum Jubilee Challenge – led by 21 higher and further education institutes from across the UK, all recent winners of the prestigious Queen's Anniversary Prize. It concluded with 14 clear recommendations to Government and priorities for the sector that will accelerate progress towards Net Zero. To celebrate and promote sustainability, students at Heriot-Watt University led a series of events as part of a Sustainability Week initiative. Activities included a conference on the theme of Skills and Change for a Sustainable Future by the NetZero and Chemical Engineering Societies, and a Keep-cup Drive where students could collect a free re-usable coffee cup. Our University's global reach across its research, teaching, outreach and enterprise activities ensures that we have a broader climate role, with influence extending across our international presence and networks

Our four strategic themes, are in turn:

Pioneering in Education

Heriot-Watt University has been a pioneer in education for over two hundred years, and this year was no exception. Our new Deputy Principal, for Education and Student Life, took up office on September 1st, 2022; Professor Malcolm Chrisp had previously been the Executive Dean for our School of the Energy, Geoscience, Infrastructure and Society (EGIS). He is leading the reinforcement of our focus on purpose-driven education, and the evolution of our Graduate Attributes to the stage where we can position our graduates as Global Changemakers, aware of the UN Sustainable Development Goals and focused on making an impact on the world.

We remain an institution committed to widening participation and are a truly global university with two thirds of our

students based outside of the UK, of which a large proportion study remotely. This year we continued to deliver non-traditional pathways including a large online cohort through HWOnline, our continued provision of graduate apprenticeships, and other students admitted from a range of educational backgrounds. We are proud that a full 29% of the students studying at Heriot-Watt are doing so through an access intervention that we have made. This year saw the first graduates from the MBA programme that we are delivering in a refugee camp in Lebanon, and the enrolment of the first recipients of the Denis Goldberg Scholarships, which have been funded, as the Principal & Vice Chancellor mentioned, through our 1821 Appeal. Named after our late Honorary Graduate, the Denis Goldberg Scholarship Programme is supporting talented postgraduate students from across Southern Africa to take up places on Heriot-Watt programmes in energy transition. This will enable them to progress onto rewarding careers and leadership roles in the energy industry in Southern Africa.

The University's focus this year on stabilising and support, transformation, and growth, was delivered in our strategic theme in multiple ways. We stabilised and supported our students and colleagues as they transitioned back to campus, and our assessment methods moved back to in-person timed examinations from the online mode that we had adopted during the pandemic. This helped to reduce the levels of academic misconduct cases seen while managing assessment online and allowed us to deliver the quality assurance that our professional bodies, who accredit so many of our programmes, require. This did however pose challenges and create disruption for our final year undergraduate students as they navigated an entirely new assessment mode and is one of the reasons why the NSS survey results at the end of the year did not show the improvement that we had hoped for. We invested further in the area of academic operations to support our academic staff, building on our move to a shared services model which had largely taken place through the pandemic.

As mentioned by the Principal & Vice Chancellor we saw the transformation of the student body through the approval of a sixth School, the Global College, led by the newly-appointed Executive Dean, Professor Anna Fenge. We continued to drive a global approach through our student body with student representation on all campuses joining together to set priorities and develop a joint strategy. In this spirit, the new Student Partnership Agreement was signed simultaneously in all three of the countries where we have a campus presence. Our teaching and assessment practices, where appropriate, were transformed back to being based on-campus.

During the year we worked through our Learning & Teaching Academy to reshape our approach to the increasing availability of artificial intelligence, embracing the opportunities to use this in our teaching as well as to understand how to

develop assessment in a way that acknowledges access to this powerful tool.

The pace of growth in student numbers continued, and in the Global College was especially strong in Dubai. It was also in Dubai that we extended our commitment to purpose-driven education so that more than half our incoming students now create an impact statement outlining their purpose and the impact that they wish to make on the world. This allows them to articulate themselves much better in job interviews and increases their resilience in the ever-changing job market that they will face over their working lifetime. We grew our portfolio, with our new sports programmes continuing to attract increasing numbers of students, and we undertook the development of a new aeronautical engineering programme to offer in the 2023/24 year.

We are committed to preparing our students to be even more resilient and ready to shape the world by developing a model of positive education, and by supporting them as they embark on their studies - whether to a new life on campus or adapting to on-line learning whilst employed. Since our foundation in 1821, we have been outward looking pioneers of education, in pursuit of knowledge to the benefit of society and the world. We offer a distinctive learning experience, enhanced by our global connectivity, and grounded in the needs of a rapidly changing world.

Excellence in Research and Enterprise

Through our research and enterprise activity Heriot-Watt is seeking to shape the future by pioneering new approaches to society's most pressing challenges through innovative, practical solutions to improve lives and drive global economies. We seek to maximise our impact through our four Global Research Institutes, by 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.

The year under review has seen us seeking to stabilise and support our research activity through the final allocation of our research Recovery Fund; this was the last year of this fund which we established to support our colleagues through the pandemic, and which allowed us to maintain momentum at a time when external funds were at best subject to timing changes and at worst simply absent. During the year, each School has had its research strategy and plans reviewed and aligned with our ambitions and priorities, as well as with our Global Research Institutes (GRIs). Recognising the need to ensure adequate resources and a stable foundation for our GRIs, we took the decision early in the year to reduce the number of planned GRI's during the current Strategy 2025 period from five to four.

We have started the transformation of our distinctive research and enterprise culture to one that emphasises delivering impact alongside knowledge creation. To this end we created three new Associate Principal posts during the year to establish a four-person team alongside Professor Lynne Jack who was previously appointed Associate Principal for International Research. Professor Jemina Napier was appointed Associate Principal for Research Culture and People, Professor Gabriela Medero as Associate Principal for Enterprise and Professor Marc Desmulliez as Associate Principal for Impact.

This year we saw the development and approval of plans for a Graduate School that will transform our community of researchers, which will launch in the following year and bring together our more than 1,000 postgraduate students pursuing research degrees and our 250 postdoctoral researchers.

Growth in our research activity saw us secure our third highest ever level of research grants income, as we emerged from the shadow of the pandemic. Major grants include £2.5 million awarded by UK Research and Innovation (UKRI) for research into the use of Artificial Intelligence to reduce the impact of carbon emissions, with further investment provided by project partners, PETRONAS, Science and Technology Facilities Council (STFC) and ArianeLogiX, a two-year project, led by Heriot-Watt, in partnership with Imperial College London. Other grants of note during the year included £3.4m from UKRI's research councils, Innovate UK, and the British Academy to fund the Equality, Diversity and Inclusion (EDI) Caucus, again led by Heriot-Watt, which will provide high-quality research evidence on EDI that informs policy and practice.

We were also awarded a grant from the Engineering and Physical Sciences Council (EPSRC) for a project in partnership with the University of Glasgow, to support an extensive consultation to explore the potential of digital technology to decarbonise transport. We will lead this work, which will develop an interdisciplinary consortium and a research agenda and apply for the closed opportunity (up to £20 million) for a new digital twinning research hub. This grant success has continued into the subsequent year.

We grew our academic talent, making a number of new professorial appointments during the year, including Professor Adam Dixon, who was appointed as the first Adam Smith chair in Sustainable Capitalism, a post endowed by Baillie Gifford as part of their support of Panmure House. He is responsible for developing and leading academic research at Panmure House on sustainable capitalism, focusing inter alia on the role of the global finance industry, the role of the state, and the role of corporations.

Our four GRIs, were also engines of growth. One of these,

the National Robotarium, in partnership with the University of Edinburgh, opened in September 2022. This purpose-built facility not only houses research activity but provides a catalyst for entrepreneurship, bringing together academics and companies ranging in size from global businesses to innovative startups. Building on the partnership with Tata Consultancy Services (TCS) that we announced in the previous year, the National Robotarium agreed the research themes for collaboration across multiple disciplines including soft robotics, field robotics, co-bot and tele-operations. In their first year, the Robotarium team have engaged with over 10,000 young people through the delivering of over 50 events, workshops, festivals and virtual lessons. Significant investment in our new Net Zero GRI was approved by Court, ready for launch in 2023/24.

This year the University also pursued growth through the appointment of property consultancy JLL to help us select a strategic development partner to develop future phases of our Research Park, which spans 165 acres at the University's Edinburgh Campus. Almost 70 acres are available for future development and our vision is to create a vibrant, sustainable, globally connected research and innovation. After the end of the financial year, a preferred partner was selected with whom we will engage in more detailed discussions regarding the potential partnership.

Our commercial team continue to support projects that offer spin-out opportunities, and one of these that completed during the year was Frontier Robotics. Their initial product offering will provide support for when ship-to-robot communication is interrupted; ultimately, their work is expected to deliver wholly autonomous control of subsea robots.

The enterprise ecosystem within our University has benefited this year from the arrival of three entrepreneurs-in-residence. Elizabeth Pirie is co-founder of AccelerateHER and an expert in growing female entrepreneurship; Conrad Chin is a long-serving board director and chair who recently led the exit of Blackford Analysis to Bayer and Dr Kevin Parker is an experienced mentor to academic and student entrepreneurs.

Overall, we believe that our University, through its striving for excellence in research and enterprise, will not only help to solve the pressing challenges that face the world today, but will also deliver impact through the creation of the companies and leaders of the future needed to provide opportunity and economic growth in all of its geographic locations.

Building Flourishing Communities

As the Principal & Vice Chancellor explained in his report, this has been a year where we have sought to stabilise and support our community, to transform it into an even better place to work and study, and to continue to grow and evolve into the organisation that we aim to become. Supporting our colleagues as they returned to campus following the

pandemic and maintaining a positive relationship with our Union partners during the continuing national dispute, were important activities for us during the year.

Music has always been part of our University life and a way for staff and students to come together, often with members of our local communities. This year saw the retirement of our long-serving music director, Steve King, after a memorable Christmas Concert. Our new Music Director, Matt Brown was appointed January 2023. Since Matt's arrival, the music community has continued to grow and participate in ever greater numbers in the main events of our academic year, including graduation and open days, as well as the concerts performed by both our choir and our orchestra.

Our Global Equality, Diversity and Inclusion (GEDI) Board, chaired by Provost Professor Mark Biggs, which reports into the University Executive, has continued to pursue the 12 Equality Outcomes (EOs) that are a core component of the University's Public Sector Equality Duty requirements. For us, these outcomes – which we aim to achieve between 2021 and 2025 - focus on measurable activities that sit aside from our core activities and have the capacity to support sustainable transformational change for targeted groups across the equality, diversity and inclusion (EDI) spectrum. We were proud to receive several significant awards this year that reflected our commitment to a just and fair workplace. We achieved White Ribbon status, the first Scottish University to do so and only the third in the UK, clearly signalling our stand against gender-based violence, and delivering one of our Equality Outcomes. We were also one of a small group of institutions to receive the Armed Forces Covenant Gold Award, the highest badge of honour available to organisations who employ and support members of the Armed Forces community.

Knowing that networks provide peer support and help to build and sustain an inclusive culture, we supported the establishment of a disability network across all of Heriot-Watt, and an LGBT+ group focusing on the UK, delivering another Equality Outcome. One more Outcome, a milestone event for us during the year, was our first annual staff-student Global EDI summit.

Celebration Week in June 2023 saw record numbers of colleagues across all campuses being presented with awards that they had been nominated for by their peers in our annual staff awards. For the first time ever, our student-led teaching awards were delivered in ceremonies synchronised across all three of our main campuses.

Sport continued to be an important activity for our community across all our campuses, with Oriam on our Edinburgh Campus providing facilities for the Scotland national teams in several sports, as well as being a popular fitness facility for many of our students, staff and those who live in adjacent

communities. While it is always challenging to single out any single sport or activity, when we offer so many, this year we have chosen to spotlight our football club in Edinburgh. The main team comprises players from both within and out with the University, and secured promotion to the East of Scotland League First Division. The student football team achieved great success when they won the BUCS Scottish championship and for the first time ever gained promotion to the National League North. Football also served as the opportunity to announce a partnership with the Homeless World Cup, an initiative that gives homeless people the world over the chance to regain their pride by playing for their country in a special tournament. An essential aspect of the partnership will include research, training, workshops and a future conference on homelessness, jointly organised by Heriot-Watt University and the Homeless World Cup Foundation.

Our alumni community now number over 115,000 and a new President of the Watt Club Council took up office on January 1st 2023. Kieran Robson Renner, who graduated in 2018 and now works at the University's Edinburgh campus as a Quality Enhancement Officer, will serve a three-year term finishing in December 2025. The Watt Club held a number of events during the year, including a special event in Houston, Texas in April hosted by the Principal & Vice Chancellor.

Heriot-Watt's communities consist not just of our staff, students and alumni, but also the communities in which we live and serve, and all those who help us to maintain a thriving and dynamic University. From adjunct faculty who help with teaching and assessment across all our campuses, through to the local residents of the locations where we have physical infrastructure, all of them are part of our flourishing community.

Scottish Government Fair Work Agenda

The University is fully committed to the Fair Work agenda and is currently working with the recognised unions to finalise a Joint Statement and Appendix to set out a number of ways in which this is demonstrated, in line with the Scottish Government Fair Work Guidance. It is agreed that such a Statement can never be written in stone, but rather reflects work in progress, including positive achievements, aspirations intentions and how we work together to resolve disputes and difficult situations such as industrial action, the Covid pandemic etc. It will be kept under review and updated accordingly.

As signatories to the Scottish Business Pledge all individuals who are engaged directly by the University are, as a minimum, paid in line with the requirements of the Voluntary Living Wage and we work closely with our UK trade unions to maintain a transparent and robust grading system within which all staff are engaged.



Our Strategic Commitment to putting staff at the heart of everything we do is supported by our People Enabler Strategy that was developed in partnership with our UK trade unions along with staff and manager consultation.

This includes clear commitments regarding fair employment as well as staff wellbeing and our Equality, Diversity and Inclusion agenda.

The University also runs a Global Staff Survey on an 18-month cycle which provides a wealth of data to inform progress on our objectives and shape our next steps as an organisation.

Effective voice

Our Strategic Commitment to putting staff at the heart of everything we do is supported by our People Enabler Strategy that was developed in partnership with our UK trade unions along with staff and manager consultation. This includes clear commitments regarding fair employment as well as staff wellbeing and our Equality, Diversity and Inclusion agenda.

We conduct regular staff engagement surveys which provide clear feedback across the University.

Investment in workforce development:

The University invests heavily in staff development supported by our Learning and Teaching Academy, Research Futures and Professional and Organisational Development teams. Our Performance and Development Review process has a strong emphasis on personal and professional development.

Zero-hour contracts

The University does not use zero hours employment contracts and works hard to ensure that casual worker arrangements are not used inappropriately. The University is committed to offering as much commitment as possible to those that work within our community and offers open ended employment arrangements wherever possible.

Gender pay gap and inclusivity

The University has identified a number of actions to address the gender pay gap which exists. This is fully embedded in the University's Equality Outcomes and a joint working group meets regularly to track actions and progress.



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 2023.

Disability	Number of Employees	%
Information Refused	3	0%
Known Disability	136	6%
Not Known	2211	94%
	2350	

The University is committed to:

Ensuring that people with disabilities receive full and proper consideration throughout the whole recruitment process.

- Guaranteed interviews for those who meet the minimum essential criteria.
- 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.

UK Trade Union Facility Time Reporting for the period April 2022 to March 2023

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 HEIs) 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 period 1 April 2022 to 31 March 2023	
	No of Employees
Employees in organisation	1,501 to 5,000
Trade union representatives	13
FTE trade union representatives:	13
FTE time allocated across unions:	2.6
Percentage of time spent on facility time	
0%	0
1%-50%	13
51%-99%	0
100%	0
Paid trade union duties	
Hours spent on paid facility time (Duties and Activities):	4,710
Hours spent on paid trade union duties:	4,239
Hours spent on paid trade union activities:	471
Total pay bill and facility time costs	£
Total pay bill	89.2m
Total cost of facility time	158k
Percentage of pay spend on facility time:	0.18%

2. Recognition at Heriot-Watt

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

At the start of the 2022-23 HWU 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.

Being A Globally Connected University

Across our five campuses we continue to work on the effectiveness, operation and structure of our University, to help our academics excel in their teaching, research and enterprise. We are always seeking to raise the calibre of our student experience and variety of learning approaches, so

that our students can make the most of their time studying with Heriot-Watt.

During the year we worked to stabilise and support our financial reporting systems through a holistic approach across People, Systems and Processes, as the whole University continued to suffer the adverse aftereffects of the move to the new enterprise reporting system. We were able to restore the system to the point where it could deliver management information, we managed to successfully recruit new colleagues to a depleted finance function, and we also made progress against internal and external audit actions. Separately, we focused on raising the standard of delivery of our core academic operational Support Services, supporting students post-pandemic with greater investment in our services, including wellbeing and careers.

Service effectiveness was the focus of our activities as we sought to transform the University's processes through streamlining and automating them. A dedicated unit, established the previous year following the initial challenges of the move to a shared service model, mapped over 100 processes during the year to prepare them for automation. This enabled the University not only to release a total of 1057 man days for better value-added activity, but also to add enhancements to our student fees and abatement processes, and more clearly delineate and signal the role of professional services within the institution. Our student enrolment system was transformed to provide better on-line programme enrolment and personalised course selection for students. Longer-term transformation is being delivered through the use of data, which is providing management insight through real-time information on everything from the geographical base of our applicants, to student performance and progress.

We are already a University which is proud to be known for its multiple access routes, but this year we sought to deliver growth through adding to those routes, as well as strengthening existing ones. As mentioned elsewhere, both domestic and international students had the opportunity to enter Heriot-Watt through the creation of the Global College, the business case for which was approved by our Court during the previous year. The Global College has strengthened the activity across our global footprint, building, as the Principal & Vice Chancellor said in his introduction, on our already successful foundation programmes in Dubai and Malaysia and creating the same opportunity in Scotland. Although we had not expected to admit Global College students in Edinburgh until September 2023, demand in the 2022 UK Clearing process for students to start in Scotland in September 2022 led to a small cohort being created for that entry point.

Growth has also been achieved through the introduction of new programmes. We continue to conduct an Annual Portfolio Review, which helps us to determine not only

which programmes to introduce, but which to update, and which to withdraw. This process, which naturally leads to the refinement and rationalisation of our programme portfolio, was, for example, responsible for our suite of sports programmes which this year expanded to include Sports Psychology. During the year we also worked on the development of, and recruitment for, Aerospace Engineering, which was scheduled to commence in September 2023.

Being a Globally Connected University, we encourage our staff and students to make the most of their connections to other campuses, and the opportunities that arise as a result. As well as the Go Global programme, mentioned elsewhere, we also saw evidence of global connectivity in staff and student movement in other areas. In April 2023, 50 students involved in sports clubs in Dubai led delegations to Malaysia and to Scotland, ably supported by their peers on both campuses, engaging in sports activity and cultural exchange in the break between the end of semester and the examinations. The annual study trip arranged for students in Malaysia allows them to spend two weeks on the Edinburgh campus, as shorter and more affordable alternative to Go Global. There was a study trip to Edinburgh in May 2023 for our MBA students in both Dubai and Malaysia, bringing those two communities together for the first time. We were also pleased to record staff transfers during the year between Scotland, Dubai and Malaysia. For the first time, we appointed a professional services lead – our new Global Director of Student Experience and Academic Registrar – based outside the UK in Dubai.

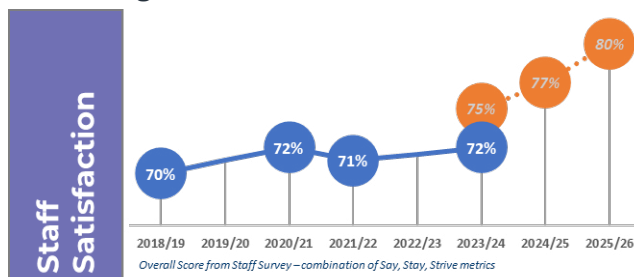
In a world with global challenges, we believe that being globally connected enables us to offer our students and our staff enhanced learning and career development opportunities and positions us well to make a lasting impact in all the communities in which we are active.

Measuring Our Performance

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

Our achievements are measured by the strategic performance indicators (SPIs) of our four Strategy 2025 themes. Our Strategy 2025 website provides further details on these SPIs and the progress we are making to achieve them.

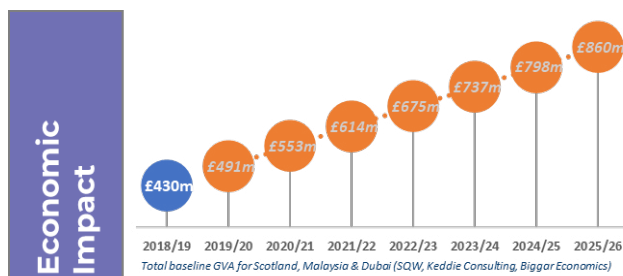
Flourishing Communities



SPI: Achieve upper sector quartile (80%) for staff satisfaction by 2025.

2023/24: 72% (up 1% against the previous survey, and 3% below the planned trajectory for 2022/23)

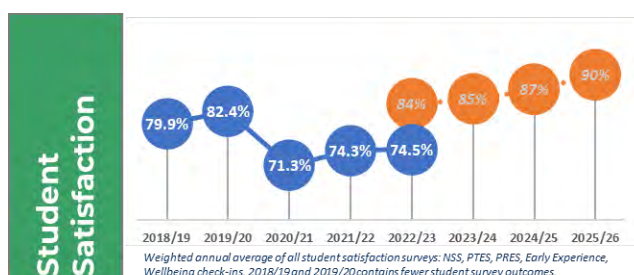
The staff survey is conducted every 15-18 months, with the most recent survey being carried out in October 2023. The SPI is a combination of the six 'Say, Stay, Strive' metrics in the survey, five of which improved or stayed static from the previous survey.



SPI: Double global economic impact by 2025

Economic Impact Reports from all our global campuses have been combined to calculate a solid baseline for Heriot-Watt, with our students being the most significant driver of our impact across the global footprint. We continue to work on our strategy to double our global economic impact by 2025. Surveys are done periodically and the last survey was completed in 2018/2019.

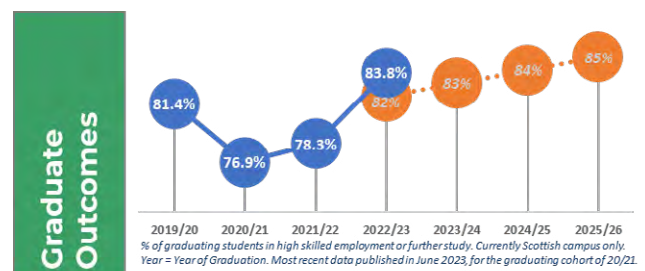
Pioneering in Education



SPI: Achieve upper sector quartile (80%) for student satisfaction by 2025.

2022/23: 74.5% (up 0.2% points against the previous year and 9.5% below the planned trajectory for 2022/23)

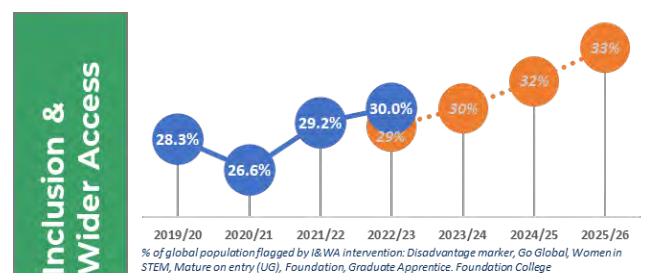
This figure is based on average data from the National Student Survey (NSS), Postgraduate Taught Experience Survey (PTES), Postgraduate Research Experience Survey (PRES), Early Experience Survey and Annual Survey, ensuring a global approach to measuring student satisfaction. The NSS results fell slightly further in 2022/23, mitigated against by more positive outturns in other surveys



SPI: Achieve top decile (90%) in graduate outcomes by 2025.

2022/23: 83.8% (up 5.5% points against the previous year and 1.8% above the planned trajectory for 2022/23)

The onward destinations of our students graduating in 2020/21, 15 months after graduation was published in 2022/23 and is now above the planned trajectory. Heriot-Watt now ranks 4th in the UK for the positive graduate outcomes of all students, ranks 5th in UK for undergraduates and 2nd in the UK for postgraduate students. This cohort were the first Covid graduating group, and the strong results are testament to the swift provision of on-line careers support and fairs during that period.



SPI: Pioneer a sector-leading global approach to inclusion and widening access by 2025.

2022/23: 30.0% (up 0.8% points against the previous year and 2% points above the planned trajectory for 2022/23)

Our methodology here uses global data such as disadvantage markers, women studying STEM subjects, mature undergraduate students, foundation students, graduate apprentices and uptake of our Go Global scheme,

to measure the inclusionary approach to education at Heriot-Watt. The main driver for growth in 2022/23 was the post-pandemic recovery of the Go Global scheme, enabling access across our global campuses to our students.

Excelling in Research & Enterprise



SPI: A top 250 world university by 2025

2022/23: 235th (46 place rise against the previous year and 15 places above the 2025 target)

The QS World Ranking publication on 2023, ranked Heriot-Watt comfortably in the top 250 universities in the world. The university's League Table Action Group continues in its work to not only consolidate but build on this position.



SPI: Research income proposals awarded p/a greater than £65m by 2025.

2022/23: £48m (up £9m against the previous year and £2m above the planned trajectory for 2022/23)

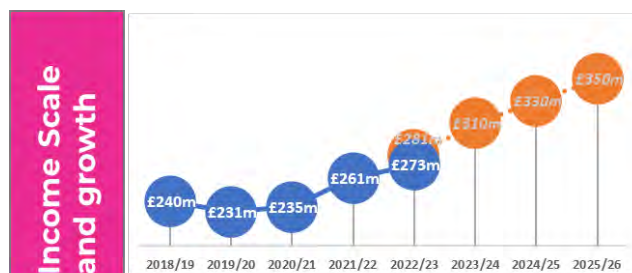
Heriot-Watt's continued growth indicates the success of the National Robotarium and our high performing research institutes. We expect our investment in other new Global Research Institutes; iNetZ+ and Health & Care Technologies to continue to build towards our 2025 target.



SPI: Pioneering a sector-leading approach to environmental sustainability by 2025.

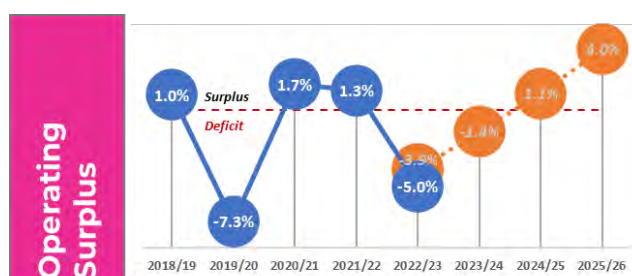
The launch of our iNetZ+ Global Research Institute, development of our Net Zero Community Hub and continued development and embedding of our Global Environmental Sustainability Strategy are key to progress in this area.

Globally Connected



SPI: Income scale and growth greater than £350m annually.

2022/23: £282m (up £21m against the previous year and £1m above the planned trajectory for 2022/23)



SPI: Operating surplus greater than 4% annually

2022/23: -5.0% (down 6.3% points on the previous year and 1.1% points below the planned trajectory for 2022/23)



SPI: Resource efficiency: £150k annually

After further advanced review, it was established that Heriot-Watt is already extremely efficient compared to the sector, and the target of £150k annually would be detrimental to the University and prevent achievement of the target income and purchase.

FINANCIAL PERFORMANCE



OVERVIEW

The University's income rose by 4.8% to £273.2m (2022: £260.6m). This was primarily driven by tuition fees, which grew by 4.6% to £148.2m – an increase of £6.8m on the previous year, and Other Income, which grew by 36.8% to £34.6m, an increase of £9.3m on the previous year. As part of Strategy 2025 the University continues to seek to diversify and grow other income lines, which includes revenue from commercial income and from student accommodation.

The application of the UK Accounting Standard FRS102 continues to bring greater volatility to the reported financial position due to its treatment of including non-cash items such as actuarial valuations of pension assets and liabilities, foreign exchange gains or losses, matching of research income with expenditure. Removing these results in an operational deficit of £15.7m (2022: £8m surplus). The University's focus is on both its overall and underlying surplus / deficit generated from day to day activities.

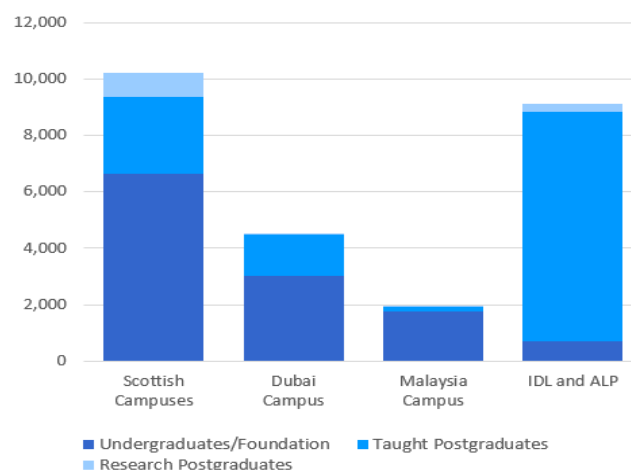
Reconciliation to operating surplus/(deficit)

		Consolidated Period Ended 31 July	
	Note	£'000	£'000
Total Comprehensive Income for the year	SOCI	(14,159)	10,315
Less material non-recurring items:			
i) Impact of pension costs	(a)	(9,502)	42,324
ii) Impact of FRS102 research adjustment	20	3,415	1,712
iii) Heriot-Watt Malaysia Fixed Assets Impairment	12	2,029	-
iv) Foreign Exchange	8	1,435	(2,921)
v) Actuarial gain	SOCI	(79)	(41,790)
vi) Restatement of overseas entities and other gains and losses	SOCI	1,217	(1,669)
Underlying (deficit)/surplus for the year		(15,644)	7,971
a) Impact of Pension Costs:			
i) USS Pension provision	7	6,930	(38,064)
ii) USS Pension net finance costs	26	(2,083)	(217)
iii) LPF net pension charge	26	3,955	(3,410)
iv) LPF net finance costs	26	737	(597)
v) Scottish Teachers Superannuation Scheme	26	(37)	(36)
Pension (loss)/gain		9,502	(42,324)

INCOME

Tuition Fee Income increased by £6.9m to £148.2m during the year. The overall student population is detailed below.

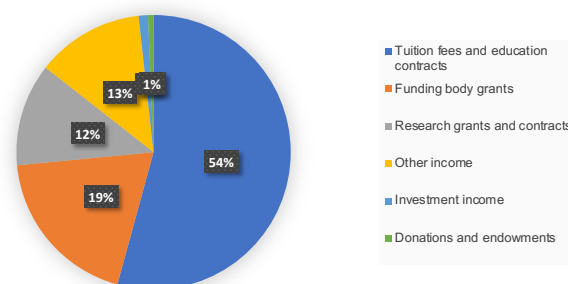
2022/23 Student Population



*IDL - Independent Distance Learning ALP - Approved Learning Partner

Research income in 2022/23, including the SFC Research Grant, was £33.1m. Other Income increased by £9.3m to £34.6m (2022: £25.3m) driven by an increase in commercial income to £8.9m (2022: £2.6m) and residence services of £16.7m (2022: £12.1m) offset by a decrease of £4m in other income.

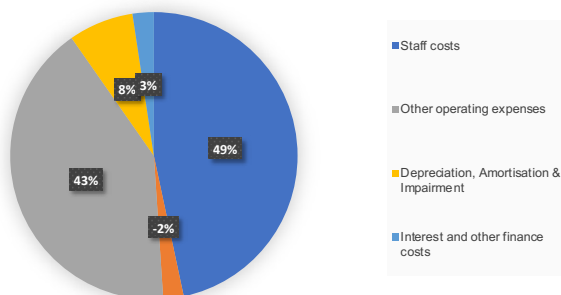
Sources of Income



EXPENDITURE

Overall expenditure for the year decreased to £287.5m (2.6%) during the year. This is predominantly due to pension accounting adjustments relating to our USS and LPF - which reduced from a charge of £38.1m in 2021/22 to a gain of £6.9m in 2022/23 - and foreign exchange charges. Excluding these movements, underlying expenditure increased by 12.7% to £293m (2021/22: £259.9m). The two primary drivers are increase in staff costs of £12m as we continue to invest in our people, and an increase in other operating expenses, including an increase in utilities, professional fees in relation to the continued ERP work and a write off of aged debtors which we no longer expect to receive.

Total Expenditure by Category



BALANCE SHEET

The University continues to have a strong balance sheet with total assets of £448.8m at the year end. These balances included cash and cash equivalents of £99.7m (2021/22: £112.6m), demonstrating strong liquidity.

The University continues to invest in its estates and infrastructure with £12m of capital spend during the year. The most significant of these was in partnership with Sports Scotland, the Lawn Tennis Association and Tennis Scotland in the new Tennis Centre at Oriam – Scotland's Sports Performance Centre at our Edinburgh Campus. The purpose-built facility was started in September 2022 and opened in December 2023. It has six state of the art indoor courts and provide a much-needed indoor option for tennis in Scotland.

Other capital investments include continuing investment in the National Robotarium supported by the Edinburgh and Southeast Scotland City Region Deal. There has also been continued investment in the Oracle HR and Finance ERP system which, after a challenging and extended implementation (completed as of 31 July 2023), is now starting to demonstrate benefits to the organisation through a programme designed to deliver transformation of the finance function and improved system and process performance.

In common with other institutions, Heriot Watt University has reviewed its estates for signs of RAAC (Reinforced autoclaved aerated concrete) within its premises. Full structural reviews have been completed at the three campuses within the UK. The existence of RAAC was found to be minimal, resulting in no need for repairs and instead the recommendation that annual monitoring of the impacted buildings should take place. The University will action this and has concluded that the existence of RAAC in five parts of its estate does not result in any need for impairment of those assets due to the buildings remaining open and no identified need for repairs.

CURRENT LIABILITIES

Current liabilities have increased by £11m to £104m during the year. This was primarily due to grants received in advance increasing by £16m to £46m, as the University continued to attract growing levels of research funding. These monies received for ongoing research activity 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.

Payment of suppliers

Unless special terms are agreed, it is Group policy to pay valid invoices within 30 days. The challenges of the ERP system put pressure on the accounts payable team to pay suppliers in a timely manner. At 31 July 2023 there were 26 days (2022: 28 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

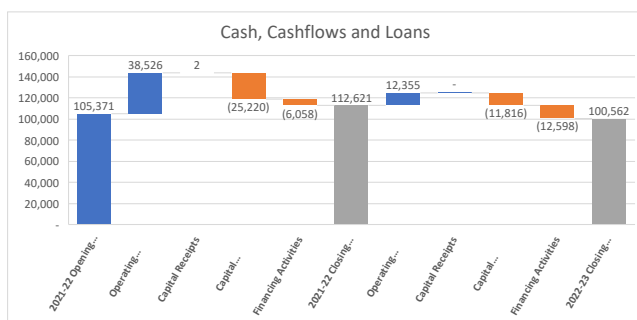
Long term creditors have increased by £1.6m during the year to £237.0m. The majority of long-term creditors relate to the long-term loans that the University drew down in prior years. These borrowings total £145.5m (2022: £146.8m) and remained consistent with the previous year. These borrowings are long 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 £86.4m (2022: £85.3m) which primarily relate to deferred capital grants which are released over the lifetime of the associated asset.



CASHFLOW AND FINANCING

Cash and cash equivalents decreased by £12.5m during the year to £99.7m (2022: £112.6m). As detailed below the University generated £14.1m of positive cashflow from its business-as-usual activities. The net outflow of £12.9m was due to the funding of investment activities (£21.9m), primarily the purchase of fixed assets (£12m) and the transfer of cash to the investment portfolio (£10.7m), along with financing activities of £5m, 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 comfortably 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.



PENSIONS

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

Universities Superannuation Scheme Pension Update

USS is a hybrid scheme providing benefits based on a combination of final pensionable pay and defined contributions. The 31 March 2023 valuation exercise was undertaken in the year and the valuation report was published on 20 December 2023. The March 2023 valuation of the USS pension scheme shows the scheme returning to a surplus position – £7.4bn compared to a deficit of £14bn in March 2020 (the last formal valuation point) – and as result the USS Trustees have been engaging with employers, unions and members to seek the best way forward to promote stability for the scheme whilst restoring member benefits and lowering employer contribution rates. In October the UUK and UCU agreed a number of benefit improvements as well as reduction in employer and employee contribution rates. The proposals would reduce the employer contribution rate of the University from 21.6% to 14.5% from 1 January

2024. Heriot-Watt very much welcomes these changes which reflect the joint statement we issued with our UCU branch in 2022.

Lothian Pension Fund

LPF provides benefits to members based on final pensionable pay. LPF published their latest triennial valuation report, for which the reference date is 31 March 2020, in March 2021. For the LPF, the net present value between the underlying assets and liabilities of the University's share of the fund is no longer recognised as a provision or an asset in the University's balance sheet, due to the asset following the asset ceiling calculation. The next triennial valuation as at 31 March 2023, will set contribution rates for the next 3 years from 1 April 2024 with results being due for release in the near future.

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 last four-yearly valuation was undertaken as at 31 March 2016. This valuation informed an increase in the employer contribution rate from 17.2% to 23.0% of pensionable pay from September 2019 and an anticipated yield of 9.4% employees contributions.

- (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 was 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 2022-23.

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 47-53 and further disclosures are set out in note 26.

Future Outlook

Looking forward, the 2023/24 year is expected to be challenging with inflation driving costs in all our localities. 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 trans-national 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 and fees paid by students from the rest of the UK.

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, 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 and recommends improvements in internal control systems while assessing the University's risk management framework and endorsing 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, 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 actions. 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 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.

Business 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 ensure that risks are actively managed and risk actions progress as intended. The University proactively addresses strategic risks by adjusting long-term plans and operational risks through 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 Schools, Professional Service Directorates, Subsidiary Companies, and Campuses. Escalated operational risks are regularly reported to both the University Executive and Audit and Risk Committee. All University risk registers are maintained on the University's Risk Management System '4Risk'.

Internal Audit, which is carried out by Global (RSM), follows an annual plan of audit reviews, which is focused on the key risks to the achievement of the University's strategic plan. Findings 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 its 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 minimize 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. A Global Project Management Office has been established to oversee the management of the University's strategic project agenda, including risk management of 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 2022/23 has delivered substantial improvements to the University's approach to risk management, as follows:

- 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 business units.
- Conducting risk workshops with Campus and Directorate Leadership teams.
- Ongoing development of the Risk Champions Group by providing risk training and regular updates on risk matters.
- Improved engagement between the University's leadership and the Internal Auditor.
- Improved oversight over the progress to completion of outstanding Internal and External audit actions.
- Enhanced reporting of financial risks, including regular reporting on the status of remediation of external and internal audit Finance actions, and on the status of Finance system and team change activities.
- Refresh of the University's Ethical Business Policy suite, and associated training delivered to key staff.
- Initial development of the University's approach to Assurance Mapping.
- A review and refresh of the University's Business Continuity Plans across the Group.
- Further development of the Global Project Management Office, which was implemented in 2021/22, and which oversees the University's strategic change agenda including risk management of strategic projects.

Over the next financial year, the University will continue to implement the risk management improvement plan, and intends to:

- Conduct testing of its updated Business Continuity Plans at all campuses.
- Further develop the University's implementation of Assurance Mapping.
- Further roll-out of Ethical Business Policies including provision of additional training.
- Further support Finance and the Enterprise Resource Planning system implementation to resolve risks and issues with the system and associated Finance processes and controls.
- Finalise review and update of the University's Risk Appetite Statement.
- Further Operational Risk Register development for newer business units including Global Research Institutes.
- Progression of the University's Legal Implementation Plan.
- Continue to further improve the timeliness of the University's response to internal audit actions identified.

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.

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; reports on the University's progress in actioning internal audit recommendations; and the Internal Auditor's Annual Report.

RSM provide regular reports to the Audit and Risk Committee on:

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

These include 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, as Internal Auditor, issues an annual internal audit opinion which is based upon and limited to the work performed, on the overall adequacy and effectiveness of the University's risk management, control, governance and economy, efficiency, and effectiveness processes. For the year ended 31 July 2023, 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. Improvements were made to the University's risk management framework in 2022/23, and further enhancements continue to be made in 2023/24 as detailed in the earlier section on Risk Management Improvement Plan

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

- Incident Management
- IT Infrastructure and Digital Strategy
- Procurement and Accounts Payable Key Control Compliance
- Staff Recruitment

A Sustainability Advisory Review was also performed by RSM during the year.

There were no high priority findings identified from the audit work performed during the year.

The University also commissioned RSM to carry out a lessons learned review of the ongoing Enterprise Resource Planning (ERP) system implementation Programme. This review has concluded and has identified a number of improvements which will be applied to the remainder of the ERP Programme itself, or to future change projects as appropriate. Whilst this review was not within the scope of the Internal Audit plan for the year, the recommendations will be treated as advisory actions 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.
- 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 been categorised according to the strategic themes outlined in Strategy 2025 with both an outline of the key drivers of the risk as well as the University's response to them.

The University continues to face significant ongoing Higher Education sector and global challenges, including those arising from the cost-of-living and inflationary pressures, global economic uncertainties, geopolitical tensions, and climate change, which all have a direct impact on the University's pursuit of its strategic objectives. The tables below outline the major risks by strategy topic faced by the University along with the University's response.

Major Risks and Challenges: Pioneering in Education

Student Experience	Response
Driving 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), as well as for the prior year.	A Student Experience and Satisfaction Group (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.
Students continue to be adversely impacted at all campuses by the ongoing cost-of-living and inflationary challenges at all campuses.	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 launching 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.	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 which were committed to in the joint statement between the University and the University and College Union (UCU) in June 2022 and reinforced in June 2023. The recent revaluation of the Universities Superannuation Scheme (USS) pension scheme, with an expected reduction in employee contributions, will benefit staff within that scheme.
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.	The University has developed a Global Environment Strategy, consistent with its Carbon Management Plan, in order to become net zero carbon emitting within the Scottish Government's targets and deadline of 2045. This plan remains at an early stage of development and implementation; however, it will enable the University to remain aligned with comparable Higher Education institutions and support the University's ambition to be a global thought-leader on this subject.

Economic Risks	Response
The University continues to face economic challenges due to global geopolitical and economic uncertainties, adverse sentiment on immigration and visa in the UK, and inflationary pressures. Achievement of student recruitment targets is increasingly 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 has 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 HW online programmes to allow remote study for a range of courses. The University also continues to carefully monitor its cost base and the impact on its three-year financial plan.

Major Risks and Challenges: Excelling in Research and Enterprise

Research and Enterprise Agenda	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 jeopardise 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 and Health and Care Technologies, which will act as focal points for research in both subject areas. The new GRIs are at a planning stage. The University also continues to drive significant growth across its existing research and enterprise agenda. This has resulted in the University making gains in several global University league tables with a research component.

Major Risk 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 is working 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. Significant milestones have been achieved to date, although further work is required throughout 2023/24. The progression of the plan is being overseen by both the University Executive as well as a dedicated sub-group of the University's Court with regular reporting being provided to those groups. Additionally, the ERP Programme continues to improve the HR components of the ERP system's functionality.
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, controls, and systems in place to deter and quickly respond to cyber-attacks which remain under continuous review and update to response to evolving threats. In addition, there is a detailed action plan with considerable resources dedicated to enhancing the infrastructure and controls available to the University to deploy. However, the risk remains severe due to the continuously evolving threat to the HE sectors which has seen recent cyber-attacks at other UK institutions.

Going concern

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 6-19. Its financial performance for the year ended 31 July 2023 is described in the Financial Review on pages 20-25; and the income and expenditure, assets, liquidity and cash flows are disclosed in more detail in the Financial Statements on pages 42-75 and in the Notes to the Financial Statements on pages 54-75. 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
Chair of Court

Professor Richard A. Williams
Principal and Vice Chancellor

Mr Martin Pringle
Global Finance Director

CORPORATE GOVERNANCE STATEMENT



Introduction

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

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

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

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

GOVERNING BODY

Responsibilities and delegated authority

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

- 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 10 times during the year 2022/2023, including at two 'Strategy Discussion Days'. All meetings, except one Strategy Discussion Day were held online. The first Strategy Discussion Day in the year, held in December 2022, focused on Strategy 2025: Stabilise and Support; Transform; Grow and included a presentation and discussion on Flux and Futures for the UK Higher Education Landscape, an Annual Review of Strategic Performance & Risk and a series of presentations and discussions aligned to the Strategic Themes.

The Court Strategy Discussion Day held in May each year provides the opportunity for strategic discussion aligned to key institutional priorities. The key discussion topics at the May 2023 were under the Theme: Delivering Strategy 2025; Looking Ahead to Strategy 2035 and considered; Long-Term Planning and Horizon Scanning, The Three-Year Financial Plan 2023-26, Inspiring Excellence in Student Experience, Global Environmental Sustainability Strategy.

At each of its ordinary meetings in the year reported, the Court received an executive briefing from the Principal, which updated the Court on topical higher education sector policy issues, matters concerned with the work and progress of the University, and the work of the University Executive. In addition, the Court received reports from the Senate and reports from each of the committees of the Court which had met in the preceding period. The full reports from the Court committees, which are presented by the respective committee Chairs, are provided to the Court for information,

for comment and, where relevant, include matters for approval. At each ordinary meeting of the Court, the President and a Vice-President Student Union member of the Court are provided with an opportunity to update the Court on items of news and issues of interest to the Student Union and the students it represents; in addition, the Court receives the annual report of the Heriot-Watt University Student Union. The Annual Stakeholder Meeting (ASM), as required by the Scottish Code of Good Higher Education Governance was held on the 25 May 2023. 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 focussing 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)

Chair of Court

In accordance with the Higher Education Governance (Scotland) Act 2016, an election process for a new Chair of Court took place in September 2022. The total votes cast was 1,132 (turnout 5.4%). The elected candidate secured 743 votes and Mr Bruce Pritchard was appointed as Chair of Court from 1 October 2022. A report has been published in accordance with the provisions of Section 3 (3) of the Higher Education Governance (Scotland) Act 2016 (The Act).



Summary of Chair of Court Election 2022 (pdf - hw.ac.uk)

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 36. 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 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 2022/23, 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 2023, the joint meeting focused on Sporting Futures. This included presentations and discussion of:

- Sporting Futures; the Educational Portfolio, Scholarship Programme, Sporting Partnerships, Sport for All
- Sporting Futures in Dubai, Malaysia, and the UK
- Go Global Sports
- Creating a Global Wellbeing Plan,
- Active Wellbeing

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 at July 2023, of the 14 lay members, 11 were male and 3 female; of the Staff

/ Student representatives nine were male and two female, giving an overall 20% female membership. Within the Court Committee group, the split is more even but still does not meet the objective of 50% (in 2022 the split was 60% male and 40% female).

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 EDI monitoring returns have therefore been benchmarked against the student and/or staff population wherever possible.

This is being addressed through changes to the way vacancies are being advertised to attract a diverse range of candidates who were interested in the position. In the 2023 recruitment rounds for lay members 31% of applicants were female.

On the 16th November 2022, the Court reviewed and approved its Equality and Diversity Statement. This is reviewed on a 3 yearly basis.

In April 2023, the Court received the Global Equality Diversity and Inclusion Annual Report



GEDI AnnualReport April 2023.pdf
(hw.ac.uk)

The report includes reporting against the Scottish Code of Good Governance

Our progress in meeting the Scottish Code of Good Governance is largely taken forward by the University's Governance and Nominations Committee. We continue to make significant progress in addressing embedding EDI into the mechanics of the University Court.

During the first quarter of 2022 baseline EDI data was developed for the Court and Court Committees and was discussed by the Governance and Nominations Committee. Discussions informed a further workshop for the Court to agree desired outcomes and future actions.

All Court members involved in Court recruitment took part in a workshop on Mitigating Bias in March 2022. The recruitment processes for Court Committee vacancies have been assessed against an Advance HE EDI Toolkit and advertising materials were adapted to try and appeal to a wider range of candidates. The diversity of candidates who applied (most of whom were alumni) was considerably wider than previously. We used these examples as part of our Festival of Practice in EDI.

We also made changes to how we operate making sure we are reducing barriers to more diverse groups considering taking part on our governance opportunities such as:

- Removing requirement to travel from role descriptor;
- Adjusting timing of meetings to make them more accessible to members from Dubai / Malaysia;
- Making majority of meetings online so members outside Scotland only need to travel once or twice a year;
- Collecting EDI monitoring information and benchmarking against staff / student data;
- Fulfilling EDI requirements as outlined in the Scottish Code of Good Governance;
- Internal Audit recommendations relevant to Court and Court Committee EDI have been adopted;
- Continually considering diversity against legislative requirements (e.g., Gender Representation on Public Boards Act) in our everyday activities.

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 2017 Scottish Code of Good Higher Education Governance through the year.

Ms Ruth Moir
University Secretary

MEMBERSHIP OF COURT AND COMMITTEES



The Committees of Court, as identifies 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)

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 2022 to 31 July 2023 and up to the date of approval of these financial statements. (21 February 2024)

Court		Attendance at Meetings
Chair of Court	Ms Morag McNeill (until 1 October 2022) Mr Bruce Pritchard (from 1 October 2022)	1/1* 10/10*
Deputy Chair of Court	Ms Morag McNeill (from 1 October 2022 until 31 July 2023) Mr Cameron Millar (from 1 August 2023 until 26 September 2023) Mr Mike Tumilty (from 9 November 2023)	6/7* 0/0* 2/3*
Acting Deputy Chair of Court	Ms Marta Phillips (until 1 October 2022)	1/1*
Principal and Vice Chancellor	Professor Richard Williams	11/11
Vice Principal and Provost	Professor Mark Biggs	11/11
Senate	Professor Scott Arthur (until April 2023) Dr Fadi Ghaith Dr William MacPherson Professor Mathini Sellathurai (from April 2023 until 1 December 2023)	7/7* 10/11 9/11 3/4*
Trade Union	Mr Juergen Munz Professor Lynne Baillie (until 1 August 2023) Professor David Jenkins (from 1 August 2023)	11/11 6/8* 3/3*
Staff	Professor Marc Desmulliez (until 1 August 2023) Mr Chris Pirie Ms Sharan Virdee (until 31 January 2024)	6/8* 10/11 3/3*

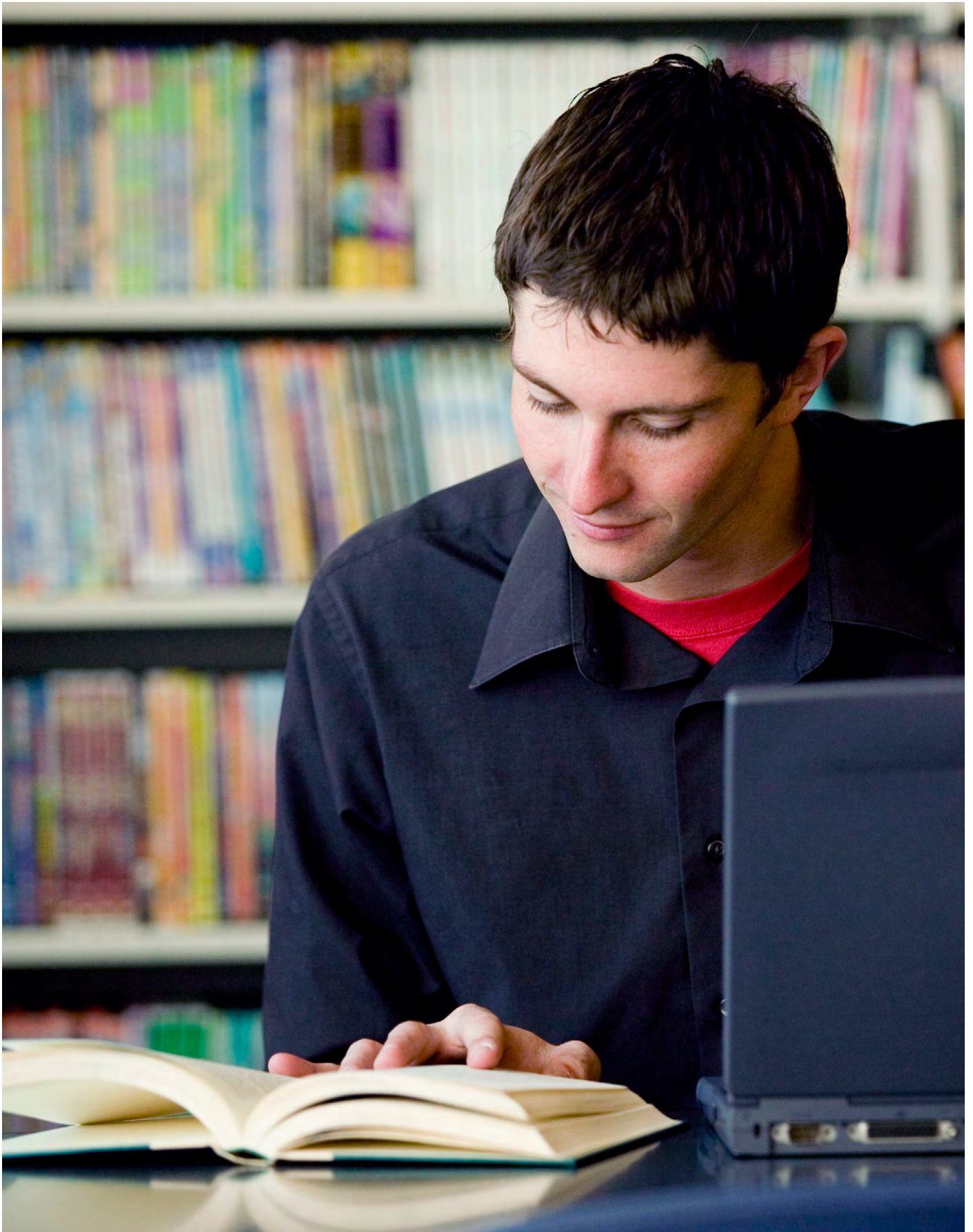
Graduate	Mr Brian Henderson	11/11
Student Union	Mr Sanjit Jagannath Krishnakumar (until 1 March 2023) Ms Molly Knight (until 1 June 2023) Mr Scott Anderson (from 1 March 2023) Mr Connel Greenhorn (from 1 June 2023)	6/6* 6/7* 5/5* 4/4*
Independent Lay members of Court	Dr Richard Armour Mr Graeme Dickson Mr Steve Heathcote Mr Gary Kildare Mr Paul Lewis Mr Cameron Millar (until 1 August 2023) Mr Alan Robertson Mr Mike Tumilty (until 9 November 2023) Mr Graham Watson (until 31 July 2023) Ms Dorothy Wright Ms Marta Phillips Ms Morag McNeill (from 1 August 2023)	9/11 11/11 9/11 7/11 6/11 8/8* 9/11 8/8* 6/8* 11/11 9/10* 3/3*

AUDIT AND RISK COMMITTEE		Attendance at Meetings
Independent Lay members of Court	Mr Mike Tumilty (Chair) Dr Richard Armour Mr Graeme Dickson Ms Marta Phillips (from 1 December 2021 until 1 October 2022) Mr Phil Ross Ms Morag McNeill (from 1 October 2022) Ms Sarah Morris (from 1 August 2023) Mr Ian Stevenson (from 1 August 2023)	7/7 6/7 7/7 1/1* 6/7 6/6* 2/2* 2/2*
Co-opted Members	Mr Roger Murray Ms Debbie Walker Ms Suzanne Wilson (until 31 July 2023)	7/7 6/7 4/5*
COURT INTERIM BUSINESS COMMITTEE	Most business conducted by correspondence	Committee meets when required
Independent Lay members of Court	Mr Bruce Pritchard (from 1 October 2022) Mr Cameron Millar Ms Morag McNeill Ms Marta Phillips (until 1 October 2022/ from 7 December 2023) Mr Alan Robertson Mr Graham Watson (until 31 July 2023) Ms Dorothy Wright Mr Mike Tumilty Mr Steve Heathcote (from 1 August 2023)	3/3 1/2* 1/1* 1/1* 3/3 0/0* 3/3 3/3 2/3
Staff	Professor Marc Desmulliez (until 1 August 2023)	0/0*
Student	Mr Scott Anderson (from 7 December 2023)	1/1
Ex Officio	Professor Mark Biggs Professor Richard A. Williams	1/1 1/1
FINANCE COMMITTEE		Attendance at Meetings
Independent Lay members of Court	Mr Graham Watson (Chair until 31 July 2023) Mr Steve Heathcote (Chair from 1 August 2023) Mr Cameron Millar (until 26 September 2023) Dr Brian Henderson (from 31 October 2023) Mr Gary Kildare Ms Morag McNeill (until 1 October 2022) Mr Bruce Pritchard (from 1 October 2022) Mr Alan Robertson Ms Marta Phillips	6/6* 9/9 7/7* 1/2* 4/9 1/1* 6/9 5/9 2/3

Co-opted Members	Ms Judith Cruickshank Ms Rita Pasi	7/9 9/9
Staff	Mr Jurgen Munz	7/9
Ex Officio	Professor Mark Biggs Professor Richard A. Williams	8/9 8/9
GLOBAL STUDENT LIFE COMMITTEE		Attendance at Meetings
Independent Lay members of Court	Ms Marta Phillips (Chair) Dr Brian Henderson Mr Bruce Pritchard (From 1 October 2022)	5/5 4/5 4/5
Co-opted Member	Dr Fazrie Wahid (from 1 August 2022)	4/5
Students	Mr Syed Uzair (until 1 June 2023) Mr Sanjit Krishnakumar (until 1 March 2023) Ms Molly Knight (until 1 June 2023) Mr Ilya Dali (until 1 June 2023) Mr Dan Potter (until 1 June 2023) Mr Sean Keenan (until October 2023) Mr Scott Anderson (from 1 March 2023) Mr Connel Greenhorn (from June 2023) Ms Hope Reilly (from June 2023) Mr Ryan Koh (from June 2023) Ms Anaswara Pradeep (from June 2023) Ms Cecilia Silva (from October 2023)	3/3* 2/2* 2/3* 3/3* 2/3* 0/4* 3/3* 2/2* 2/2* 2/2* 2/2* 0/1*
Ex Officio	Professor Richard A Williams	2/5
GOVERNANCE AND NOMINATIONS COMMITTEE		Attendance at Meetings
Independent Lay members of Court	Mr Bruce Pritchard (from 1 October 2022) Ms Morag McNeill (from 1 October 2022) Ms Marta Phillips (until 1 October 2022) Mr Mike Tumilty Ms Dorothy Wright Mr Graham Watson (until 31 July 2023)	4/4 3/3* 1/1* 3/4 4/4 1/3*
Student	Mr Sanjit Krishnakumar (until 1 March 2023) Mr Scott Anderson (from 1 March 2023)	1/1* 3/3*
Staff	Dr William MacPherson (from 1 October 2022 until 31 July 2023) Ms Sharan Virdee (from 1 August 2023 until 31 January 2024) Mr Bruce Roberts (from 1 February 2024)	3/3 1/1* 0/0*
Ex Officio	Professor Richard A. Williams Professor Mark Biggs (attends on behalf of the Principal when required)	2/3 1/1*
REMUNERATION COMMITTEE		Attendance at Meetings
Independent Lay members of Court	Ms Morag McNeill Mr Bruce Pritchard (from 1 October 2022) Mr Graham Watson Ms Dorothy Wright Mr Gary Kildare	3/3 3/3 2/3 3/3 3/3
Staff	Professor Scott Arthur (until 1 April 2023) Mr Chris Pirie (for meeting in May 2023 only) Professor Mathini Sellathurai (from 1 April 2023 until 31 December 2023)	2/2* 1/1* 1/1*
Co-opted Member	Ms Evelyn Stevenson	2/3
Student	Mr Sanjit Krishnakumar (until 1 March 2023) Mr Scott Anderson (from 1 March 2023)	2/2* 0/1*

STAFF COMMITTEE		Attendance at Meetings
Independent Lay members of Court	Ms Dorothy Wright Ms Morag McNeill (until 1 October 2022) Mr Bruce Pritchard (from 1 October 2022) Mr Paul Lewis (from 30 September 2022)	6/6 1/1* 5/5* 6/6
Co-opted Member	Mr Imtiaz Aziz Ms Julie Hotchkiss	3/5 5/6
Trade Union	Professor Lynne Baillie (until 31 July 2023)	1/4*
Staff	Professor Marc Desmulliez (until 31 July 2023) Professor David Jenkins (from 1 August 2023) Dr Fadi Ghaith (from 1 August 2023)	3/4* 1/2* 2/2*
Ex Officio	Professor Richard Williams Professor Mark Biggs (attends on behalf of the Principal when required)	3/4 1/4
INFRASTRUCTURE COMMITTEE		Attendance at Meetings
Independent Lay members of Court	Mr Alan Robertson Mr Cameron Millar (until 31 July 2023) Mr Gary Kildare (from 4 September 2023)	8/8 6/6* 2/2*
Co-opted Members	Mr John Fowle Mr David Lister Mr Jeremy Smart Dr Brian Murray	7/8 6/8 6/8 5/8
Student	Mr Sanjit Krishnakumar Mr Scott Anderson	1/3* 5/5*
Staff	Mr Chris Pirie	5/8
Ex Officio	Professor Richard Williams Professor Mark Biggs (The Principal and Vice-Principal attend on an either/or basis)	0/5 5/8

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



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 2023 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 equity and the related notes 1 to 32, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (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 2023 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 FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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

Conclusions relating to going concern

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 17 months to 31 July 2025.

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's Financial (SFC) 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's Statement of Primary Responsibilities set out on page 27 the University Court is responsible for the preparation of the financial statements and for being satisfied that 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 is 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 of management 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's 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.
- We also considered the oversight of those charged with governance (i.e., considering the potential for override of controls or other inappropriate influence over the financial reporting process, such as efforts by management to manage earnings in order to influence the perceptions of stakeholders as to the entity's performance and profitability).
- Based on this understanding we designed our audit procedures to identify non-compliance 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 at <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

Use of our report

This report is made solely to the University Court, 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.

FINANCIAL STATEMENTS



Consolidated and Institution Statement of Comprehensive Income and Expenditure for the year ended 31 July 2023

		Group		Institution	
		2023	2022	2023	2022
		£000	£000	£000	£000
Income	Note				
Tuition fees and education contracts	1	148,225	141,355	136,059	127,512
Funding body grants	2	52,521	51,401	52,497	51,379
Research grants and contracts	3	33,067	39,298	32,961	39,196
Other income	4	34,637	25,338	33,274	22,205
Investment income	5	2,985	1,112	2,936	1,170
Donations and endowments	6	1,779	2,117	1,779	2,117
		273,214	260,621	259,506	243,579
Expenditure					
Staff costs	7	140,522	128,563	133,611	121,409
Restructuring costs	7	120	512	120	512
Increase/(decrease) in USS Pension Provision	18,26	(6,930)	38,064	(6,930)	38,064
Other operating expenses	9	124,572	107,178	115,346	98,186
Depreciation, Amortisation & Impairment	11,12	22,063	18,781	18,476	17,244
Interest and other finance costs	8	7,200	2,245	6,089	3,328
		287,547	295,343	266,712	278,743
Surplus / (Deficit) before other gains and losses		(14,333)	(34,722)	(7,206)	(35,164)
Gain / (Loss) on disposal of fixed assets	12	-	2	-	2
Gain / (Loss) on investment property	13	1,250	2,270	1,250	2,270
Gain / (Loss) on investments	13	120	(678)	120	(678)
Surplus/(Deficit) before tax		(12,963)	(33,128)	(5,836)	(33,570)
Taxation	10	(58)	(16)	-	28
Surplus/(Deficit) for the year		(13,021)	(33,144)	(5,836)	(33,542)
Other comprehensive income					
Restatements of overseas entities reserves		(676)	1,669	(1,576)	2,096
Actuarial gain/(loss)loss in respect of pension schemes	18,26	79	41,790	79	41,790
Other Gains/losses		(541)	-	(46)	-
		(14,159)	10,315	(7,379)	10,344
Represented by:					
Endowment comprehensive income for the year		(101)	322	(101)	322
Restricted comprehensive income for the year		(3,809)	6,513	(3,809)	6,514
Unrestricted comprehensive income for the year		(9,573)	1,810	(1,893)	1,411
Translation reserve comprehensive income for the year		(676)	1,669	(1,576)	2,097
Revaluation reserve comprehensive income for the year		-	-	-	-
Total		(14,159)	10,315	(7,379)	10,344

Consolidated and Institution Statement of Changes in Reserves

	Income and Expenditure reserve			Translation Reserve	Revaluation Reserve	Total
	Endowment	Restricted	Unrestricted			
	£'000	£'000	£'000	£'000	£'000	£'000
Consolidated						
Balance at 1 August 2021	12,037	8,870	30,318	(1,129)	3,058	53,154
Surplus/(deficit) from income and expenditure statement	498	2,451	(36,093)	-	-	(33,144)
Other comprehensive income	-	-	43,459	-	-	43,459
Movement between Translation and unrestricted reserve	-	-	(1,669)	1,669	-	-
Movement between restricted and unrestricted reserve	-	3,887	(3,887)	-	-	-
Movement between endowment and restricted reserve	(176)	176	-	-	-	-
Balance at 1 August 2022	12,359	15,384	32,128	540	3,058	63,469
Surplus/(deficit) from income and expenditure statement	5	(409)	(12,617)	-	-	(13,021)
Other comprehensive income	-	-	(1,138)	-	-	(1,138)
Movement between translation and unrestricted reserve	-	-	676	(676)	-	-
Movement between restricted and unrestricted reserve	-	(3,506)	3,506	-	-	-
Movement between endowment and restricted reserve	(106)	106	-	-	-	-
Total comprehensive income for the year	(101)	(3,809)	(9,573)	(676)	-	(14,159)
Balance at 31 July 2023	12,258	11,575	22,555	(136)	3,058	49,310
Institution						
Balance at 1 August 2021	12,037	8,858	39,960	(1,141)	2,875	62,587
Surplus/(deficit) from income and expenditure statement	498	2,451	(36,491)	-	-	(33,542)
Other comprehensive income	-	-	43,887	-	-	43,887
Movement between revaluation and unrestricted reserve	-	-	(2,097)	2,097	-	-
Movement between restricted and unrestricted reserve	-	3,887	(3,887)	-	-	-
Movement between endowment and restricted reserve	(176)	176	-	-	-	-
Balance at 1 August 2022	12,359	15,372	41,372	956	2,875	72,932
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	-	-	-	-
Total comprehensive income for the year	(101)	(3,809)	(1,892)	(1,576)	-	(7,378)
Balance at 31 July 2023	12,258	11,563	39,480	(620)	2,875	65,554

Consolidated and Institution Balance Sheet for the year ended 31 July 2023

	Note	Group		Institution	
		2023 £'000	2022 £'000	2023 £'000	2022 £'000
Non-current Assets					
Intangible assets and goodwill	11	6,966	6,112	6,966	6,112
Tangible assets	12	248,827	257,533	215,026	223,610
Investments	13	48,508	40,354	48,508	40,354
Investment in subsidiaries	13	-	-	5,374	5,471
		304,301	303,999	275,874	275,547
Current Assets					
Stock	14	16	8	-	-
Trade and other receivables	15	42,206	38,666	69,903	62,938
Cash and cash equivalents	21	99,732	112,619	87,638	99,145
Investments	13	2,500	-	2,500	-
		144,454	151,293	160,041	162,083
Less: Creditors; amounts falling due within one year	16	(104,198)	(93,240)	(104,888)	(93,393)
Net current assets / (liabilities)		40,256	58,053	55,153	68,690
Total assets less current liabilities		344,557	362,052	331,027	344,237
Creditors: amounts falling due after more than one year	17	(236,951)	(235,413)	(207,177)	(208,133)
Provisions					
Pension provisions	18,26	(58,296)	(63,170)	(58,296)	(63,170)
Total net assets		49,310	63,469	65,554	72,934
Equity					
Share capital		-	-	-	-
Restricted Reserves					
Income and expenditure reserve - endowment reserve	19	12,258	12,359	12,258	12,359
Income and expenditure reserve - restricted reserve	20	11,575	15,384	11,563	15,372
Unrestricted Reserves					
Income and expenditure reserve - unrestricted		22,555	32,128	39,478	41,371
Translation reserve		(136)	540	(620)	956
Revaluation reserve		3,058	3,058	2,875	2,875
Total Reserves		49,310	63,469	65,554	72,933

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

The accounting policies on pages 47-53 and the notes on pages 54-75 form an integral part of these financial statements, which were approved by the University Court on 21 February 2024 and signed on its behalf by:

Professor Richard A. Williams

Principal and Vice-Chancellor

Bruce Pritchard

Chair of Court

Martin Pringle

Global Finance Director

Consolidated Statement of Cash Flows for the year ended 31 July 2023

		Consolidated	
		2023	2022
		£'000	£'000
Cash flow from operating activities	Note		
Surplus/(Loss) for the year before taxation		(12,963)	(33,128)
Adjustment for non-cash items			
Depreciation and impairment of tangible fixed assets	12	18,023	15,227
Amortisation and impairment of intangible fixed assets	11	3,936	3,554
(Gain)/loss on restatement of tangible fixed assets in overseas entities	11	1,326	(3,495)
Fair value adjustment on non-current investments		(120)	642
(Increase)/decrease in stock		(8)	(5)
(Increase)/decrease in debtors		(2,107)	1,726
Increase/(decrease) in creditors within one year		10,958	(4,179)
Disposals of fixed assets		132	1,894
Increase/(decrease) in creditors over one year		1,538	13,445
Increase/(decrease) in provisions		(4,874)	1,656
(Gain)/loss on investment land revaluation		(1,250)	(2,270)
Actuarial gain in respect of pension schemes		79	41,790
Increase/(decrease) in cumulative translation of overseas operations		(676)	1,669
Other Cashflow		(541)	
Adjustment for investing or financing activities			
Interest receivable		(2,985)	(1,112)
Net return/(charge) on pension assets	26	(1,346)	(814)
Interest payable		4,418	4,352
(Gain)/loss on disposal of tangible fixed assets		-	(2)
Repayments of amounts borrowed		629	629
Cash inflow from operating activities		14,169	41,579
Taxation		(58)	(16)
Net cash inflow from operating activities		14,111	41,563
Cash flows from investing activities			
Proceeds from sale of fixed assets		-	2
Payments to acquire fixed assets	12	(11,939)	(21,472)
Payments to acquire intangible assets and goodwill		(3,626)	(3,748)
Interest Received	5	2,985	1,112
Transfer from cash to investments	13	(10,717)	(6,042)
Net return/(charge) on pension assets	18,26	1,346	814
Net cash outflow from investing activities		(21,951)	(29,334)
Cash flows from financing activities			
Interest Paid	8	(4,418)	(4,352)
Net amounts drawn down		-	-
Repayments of amounts borrowed		(629)	(629)
Net cash outflow from financing activities		(5,047)	(4,981)
Increase/(decrease) in cash and cash equivalents in the year		(12,887)	7,248
Balance as at 1 August 2022	21	112,619	105,371
Balance as 31 July 2023	21	99,732	112,619
Movement		(12,887)	7,248

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 financial statements have been prepared on a going concern basis.

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. With current forecasts and projections that show it to be positioned to manage its activities successfully, having taken account of risk and uncertainty along with arrangements in place to monitor and assess performance, these financial statements have been prepared on a going concern basis which the Court believe 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 2022/23 and the level of enrolments through the September 2023 intakes across our global campuses. Whilst teaching has primarily moved back to face-to-face lectures, the University has maintained the ability for students to learn away from campus and through responsive blended learning.

As at 31 July 2023 the University held net assets of £52.9m and net current assets of £44.1m. These assets included cash and cash equivalents of £99m, this has decreased to £96m as at 31 December 2023. Liquidity headroom for the group at 31 July 2023 was £57m and was £49m at 31 December 2023.

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 2023 all financial covenants were met and are projected to be met throughout the going concern period to 31 July 2025.

A Financial Plan for 2022/23 through to 2025/26 has been approved by Court. This plan has been updated at the end of quarter one (October 2023) 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 2023 as well as potential changes to the USS pension scheme employer contributions.

In support of this forecast cashflow projections have been prepared to the 31 July 2025. On this basis the University is forecast to operate within its available committed facilities, meeting all financial covenants, with forecast liquidity headroom no lower than £35m throughout the going concern period to 31 July 2025. Liquidity headroom is the difference between the forecasted cash balance and the minimum cash requirements.

The University carefully and regularly monitors risks and 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 (assumption of 50% decrease in undergraduate students, reduction to 90% of expected post graduate fees, 50% of expected Research income, 10% accommodation occupancy and additional salary uplift of 1%), 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 no lower than £44m 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 2025.

2. Basis of consolidation

The consolidated financial statements include the University and all of its subsidiaries for the financial year to 31 July 2023. 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 allow staff to opt to join the National Employment Savings Trust (NEST).

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

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

The accounting policies relating to each of the schemes are:

USS

The institution participates in Universities Superannuation Scheme. The scheme is a hybrid pension scheme, providing defined benefits (for all members), as well as defined contribution benefits. The assets of the scheme are held in a separate trustee-administered fund. Because of the mutual nature of the scheme, the assets are not attributed to individual institutions and a scheme-wide contribution rate is set. The institution is therefore exposed to actuarial risks associated with other institutions' employees and is unable to identify its share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis. As required by Section 28 of FRS 102 'Employee benefits', the institution therefore accounts for the scheme as if it were a wholly defined contribution scheme. As a result, the amount charged to the profit and loss account represents the contributions payable to the scheme. Since the institution has entered into an agreement (the Recovery Plan) that determines how each employer within the scheme will fund the overall deficit, the institution recognises a liability for the contributions payable that arise from the agreement (to the extent that they relate to the deficit) and therefore an equivalent expense is recognised.

LPF

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

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 2022/23. 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 2023 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 an LGPS. 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 Limited defined contribution pension scheme

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

5. Employment benefits

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

6. Finance leases

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

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

7. Operating leases

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

8. Foreign currency

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

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

9. Intangible assets

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:	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 20 for further details). It will be depreciated on a straight-line basis as above.

Plant and Equipment

Equipment, including computers and software, costing less than £20,000 is recognised as expenditure, except where such expenditure relates to a project 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. Heritage assets

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

12. Investment properties

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

13. Investments

Heriot-Watt University has considered the impact of the Heriot-Watt Malaysia impairment on the institution financial statements as at 31 July 2023.

Heriot-Watt University holds an investment in the Malaysia subsidiary of £3.3m. The long-term cash position of HWU 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 2023 through an intercompany loan which is repayable in 2039. The University has considered the recoverability of this balance as at 31 July 2023 in light of the impairment. 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.

14. Stock

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

15. Cash and cash equivalents

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

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

16. Provisions, contingent liabilities and contingent assets

Provisions are recognised in the financial statements when:

- 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.

17. Taxation

The University is an exempt Charity within the meaning of the Charities and Trustee Investment (Scotland) Act 2005 and, as such, is a charity within the meaning of Section 506 (1) of the Income and Corporation Taxes Act 1988. The University is recognised as a charity by HM Revenue & Customs and is recorded on the index of charities maintained by the Office of Scottish Charity Regulator. It is therefore a charity within the meaning of Para 1 of schedule 6 to the Finance Act 2010 and accordingly, the University is potentially exempt from taxation in respect of income or capital gains received within categories covered by section 478-488 of the Corporation Tax Act 2010 (CTA 2010) or section 256 of the Taxation of Chargeable Gains Act 1992, to the extent that such income or gains are applied to exclusively charitable purposes.

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

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

18. Reserves

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

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

19. Prior Year adjustment

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

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

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

Key sources of estimation uncertainty:

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 has reviewed its estates for signs of RAAC (Reinforced autoclaved aerated concrete) within its premises. Full structural reviews have been completed at the three campuses within the UK. The existence of RAAC was found to be minimal, resulting in no need for repairs and instead the recommendation that annual monitoring of the impacted buildings should take place. The University will action this and has concluded that the existence of RAAC in five parts of its estate does not result in any need for impairment of those assets due to the buildings remaining open and no identified need for repairs.

Heriot-Watt Group has considered the impact of the Heriot-Watt Malaysia impairment assessment (prepared under MFRS) and considered the indicators of impairment set out in FRS102. The Group has concluded that the assets are also impaired under FRS102. Impairment loss of £2.03m has been reflected in the group financial statements. As the impairment loss is reflected in the Heriot-Watt Malaysia entity within Heriot-Watt Group, there is no impact on Heriot-Watt Institution financial statements.

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) Provision for the USS Deficit Recovery plan

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

Traditionally, the scheme actuary has reviewed the funding of the USS every year and undertakes a formal actuarial valuation every three years, at which time the deficit recovery plan may be amended. These accounts reflect the triennial valuation, as at 31 March 2020. Since the balance sheet date, a further valuation, as at March 2023 has been completed.

The 2020 valuation indicated an increase in the scheme's funding shortfall, with agreement of a new deficit recovery plan; and a consequential increase in the provision for the obligation to fund the deficit on the USS pension, this adjustment is reflected in the University's Financial Statements for the year ended 31 July 2023. The flux in the value of that provision highlights the degree of uncertainty that prevails over the adequacy, at any point in time, of the provision in these accounts to recognise a liability for the contributions that arise from the agreement to meet the future obligations to fund the scheme to the extent that they relate to the deficit. Recognising that, the financial impact of that uncertainty is quantified in the sensitivity analysis of the principal assumptions used to construct the provision, included in note 26.

The 2023 triennial valuation was undertaken in the year and the valuation results were issued 20 December 2023. This valuation has identified that the fund is now in a surplus position of £7.4bn. As a result, there will be a reduction of contributions to the scheme as set out in the Schedule of contributions, effective 20 December 2023 to 31 December 2028. These changes will be reflected in the Financial statement for the year ended 31 July 2024.

<https://www.uss.co.uk/about-us/valuation-and-funding/our-valuations>

e) **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.

Critical accounting judgements in applying the accounting policies:

f) **Pension Schemes**

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

1. Tuition fees and education contracts

	Consolidated		Institution	
	2023 £000	2022 £000	2023 £000	2022 £000
Scottish Home Domiciled Students	13,024	11,642	12,548	11,264
Rest of UK Students	10,162	7,011	10,099	6,961
International Students	117,247	114,473	105,647	101,107
Higher education contracts	1,141	2,177	1,141	2,177
Research training support grants	3,057	2,735	3,057	2,720
Short course fees	10	4	10	4
Examination and graduation fees	3,584	3,313	3,557	3,279
	148,225	141,355	136,059	127,512

2. Funding body grants

	Consolidated		Institution	
	2023 £000	2022 £000	2023 £000	2022 £000
SFC teaching grants	30,111	29,631	30,111	29,631
SFC research and knowledge exchange grants	14,501	17,767	14,501	17,767
Release of deferred capital grants	6,521	3,070	6,521	3,070
Other grants	1,388	933	1,364	911
	52,521	51,401	52,497	51,379

3. Research grants and contracts

	Consolidated		Institution	
	2023 £000	2022 £000	2023 £000	2022 £000
Research councils	22,075	20,633	22,075	20,633
Charities	2,778	1,878	2,778	1,878
UK Government	891	1,212	891	1,212
UK Industry	1,673	4,537	1,673	4,537
EU Commission	4,434	3,648	4,434	3,648
EU other	451	1,261	451	1,261
Other overseas	(412)	3,693	(412)	3,693
Other sources	1,177	2,436	1,071	2,334
	33,067	39,298	32,961	39,196

4. Other income

	Consolidated		Institution	
	2023 £000	2022 £000	2023 £000	2022 £000
Residences, catering and conferences	16,673	12,105	16,617	12,072
Income from governments and other funding bodies	5,415	3,464	5,768	3,401
Release of deferred capital grants	1,062	1,097	307	342
Other commercial income	8,914	2,561	7,748	2,561
Sports and exercise	2,490	2,047	144	86
Other income	83	4,064	2,690	3,743
	34,637	25,338	33,274	22,205

5. Investment income

	Consolidated		Institution	
	2023 £000	2022 £000	2023 £000	2022 £000
Investment income on endowments	426	324	426	324
Investment income on restricted reserves	-	29	-	29
Other investment income	2,559	759	2,510	817
	2,985	1,112	2,936	1,170

6. Donations and endowments

	Consolidated		Institution	
	2023 £000	2022 £000	2023 £000	2022 £000
New endowments	1	155	1	155
Donations with restrictions	1,760	1,591	1,760	1,591
Unrestricted donations	18	370	18	370
	1,779	2,117	1,779	2,117

7. Staff costs

	Consolidated		Institution	
	2023 £000	2022 £000	2023 £000	2022 £000
Salaries	110,901	98,833	104,749	92,554
Social security costs	9,776	8,282	9,661	8,127
Employer's pension contributions (note 26):				
USS	14,376	12,714	14,376	12,714
LPF	3,955	3,409	3,955	3,409
Other	1,542	756	898	36
Movement in LPF and other pension provisions (note 18):				
Charge for LPF pension	-	4,596	-	4,596
(Decrease) in other pension provisions	(28)	(27)	(28)	(27)
Total staff costs before staff restructuring costs and movement in USS pension provision	140,522	128,563	133,611	121,409
Staff restructuring costs	120	512	120	512
Increase/(decrease) in USS provision (note 18)	(6,930)	38,064	(6,930)	38,064
Total staff costs	133,712	167,139	126,801	159,985
Analysed between staff working in:				
Academic schools	95,351	85,018	92,139	82,093
Administrative and central service functions	33,865	34,486	31,442	30,424
Premises functions	6,667	4,322	5,393	4,217
Residences and catering	4,639	4,737	4,637	4,675
Total staff costs before staff restructuring costs and movement in USS pension provision	140,522	128,563	133,611	121,409

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

	Consolidated		Institution	
	2023 Number	2022 Number	2023 Number	2022 Number
Academic schools	1,228	1264	1,090	1137
Administrative and central service functions	719	813	612	676
Premises functions	146	148	140	140
Residences and catering	142	113	139	111
Total staff numbers	2,235	2338	1,981	2064

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

EMOLUMENTS OF PRINCIPAL AND VICE-CHANCELLOR

	Consolidated & institution	
	2023 £000	Restated 2022 £000
Professor Richard A Williams		
Salary	277	262
Benefits	41	34
Bonus	-	5
Payment in lieu of pension	28	31
Pension contributions to USS*	20	16
	366	348

*The pension contributions in respect of the Universities Superannuation Scheme (USS) are paid at the same rate as for other employees. In the prior year published accounts, the Principal & Vice Chancellor's USS Pension Contributions were shown as £7,000 when they should in fact have been £16,000.

The methodology for valuing the benefit in kind has changed in 2023 to recognise accommodation based on rental value. There has been no change in the provision of accommodation.

KEY MANAGEMENT PERSONNEL

Aggregate KMP personnel compensation, including salary, benefits and employers' pension contributions

Consolidated & institution	
2023 £000	2022 £000
1,205	1,122

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

In the year the University paid £nil (2022:£nil) for loss of office of staff whose earnings were more than £100,000 per annum was:

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

PAY MULTIPLES

Highest paid officer's remuneration (Principal and Vice-Chancellor)
Median total remuneration
Remuneration ratio

Consolidated & institution	
2023 £000	2022 £000
305	298
41	38
7.44	7.84

REMUNERATION OF HIGHER PAID STAFF, EXCLUDING PENSION CONTRIBUTIONS**Consolidated**

100,001-110,000
110,001 - 120,000
120,001 - 130,000
130,001 - 140,000
140,001 - 150,000
150,001 - 160,000
160,001 - 170,000
170,001 - 180,000
180,001 - 190,000
200,001 - 210,000
330,001 - 340,000
340,001 - 350,000

2023 Number		2022 Number	
Key Management Personnel	Other Staff	Key Management Personnel	Other Staff
	14		14
	8		8
1	4	1	4
	1		5
	4		2
1	2	2	2
1	1		
		1	2
1			1
	1		
		1	
1			
5	35	5	38

2023 Number		2022 Number	
Key Management Personnel	Other Staff	Key Management Personnel	Other Staff
	14		13
	7		7
1	4	1	4
	1		5
	4		2
1	1	2	1
1	1		
		1	2
1			1
	1		
		1	
1			
5	33	5	33

Institute

100,001-110,000
110,001 - 120,000
120,001 - 130,000
130,001 - 140,000
140,001 - 150,000
150,001 - 160,000
160,001 - 170,000
170,001 - 180,000
180,001 - 190,000
200,001 - 210,000
330,001 - 340,000
340,001 - 350,000

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 36-41 of these financial statements. The Chair of Court is the only member who receives any remuneration. Total Remuneration was £17.5k in 2023 (2022: nil as was donated to the 1821 campaign).

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 (2022: £nil). Reimbursements for travel expenses, where this meets the threshold for disclosure, have been disclosed as part of Note 30 Related Parties.

8. Interest payable and other finance costs

	Consolidated		Institution	
	2023 £000	2022 £000	2023 £000	2022 £000
Loan interest	4,381	4,311	4,380	4,335
Net charge on pension assets	1,346	814	1,346	814
Investment management charges	37	41	37	41
Exchange differences	1,436	(2,921)	326	(1,862)
	7,200	2,245	6,089	3,328

9. Analysis of operating expenses by activity

	Consolidated		Institution	
	2023 £000	2022 £000	2023 £000	2022 £000
Academic departments	15,751	16,153	15,765	16,246
Academic services	10,507	11,413	10,116	10,784
Administration and central services	56,209	44,276	52,289	39,361
Premises	28,218	21,195	23,649	17,983
Residences, catering and conferences	2,357	2,579	2,025	2,317
Research grants and contracts	11,530	11,562	11,502	11,495
	124,572	107,178	115,346	98,186
Other operating expenses include:				
External auditor's remuneration audit	684	620	565	557
Internal auditor's remuneration	128	112	128	112
Operating lease rentals				
- land and buildings	10,060	8,501	6,271	6,485
- other	156	211	27	93

10. Taxation

	Consolidated		Institution	
	2023 £000	2022 £000	2023 £000	2022 £000
UK Corporation tax at 25% (2022: 19%)	58	16	-	(28)

11. Intangible fixed assets

	Assets in the course of construction £000	ERP £000	Other £000	Total 2023 £000
Consolidated & Institution				
Cost or valuation				
At 1 August 2022	10,200	-	2,104	12,304
Additions	3,626	-	-	3,626
Transfers from tangible fixed assets	-	-	1,164	1,164
Completions	(13,800)	11,101	2,699	-
At 31 July 2023	26	11,101	5,967	17,094
Amortisation & Impairment				
At 1 August 2022	5,173	-	1,019	6,192
Charge for year	-	-	669	669
Completions	(5,173)	5,173	-	-
Impairment in year	-	3,267	-	3,267
At 31 July 2023	-	8,440	1,688	10,128
Net Book Value				
At 31 July 2023	26	2,661	4,279	6,966
At 1 August 2022	5,027	-	1,085	6,112

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 2023. The ERP system has an impairment of value in use, due to expected functionality not having been delivered. As at 31 July 2023, the asset is considered complete and has been transferred out of assets in the course of construction.

12. Tangible fixed assets

	Land & Buildings £000	Panmure House £000	Equipment £000	Assets in the course of construction £000	Total £000
Consolidated					
Cost or valuation					
At 1 August 2022	338,330	3,700	30,037	4,943	377,010
Additions	-	-	2,672	9,267	11,939
Completions	2,560	-	4,297	(6,856)	-
Transfers out to Intangibles	-	-	-	(1,163)	(1,163)
Foreign exchange movement	(1,474)	-	(725)	-	(2,199)
Disposals	(114)	-	(148)	-	(262)
At 31 July 2023	339,302	3,700	36,133	6,191	385,325
Depreciation & Impairment					
At 1 August 2022	104,614	199	14,664	-	119,477
Charge for year	11,547	91	4,357	-	15,995
Impairment in year	1,293	-	735	-	2,028
Foreign exchange movement	(549)	-	(324)	-	(873)
Disposals	-	-	(130)	-	(130)
At 31 July 2023	116,905	290	19,302	-	136,497
Net Book Value					
At 31 July 2023	222,397	3,410	16,830	6,191	248,827
At 1 August 2022	233,716	3,501	15,373	4,943	257,533

	Land & Buildings £000	Panmure House £000	Equipment £000	Assets in the course of construction £000	Total £000
Institution					
Cost or valuation					
At 1 August 2022	298,700	3,700	25,796	4,765	332,961
Additions	-	-	2,201	6,122	8,323
Completions	2,560	-	4,297	(6,856)	-
Transfers out to Intangibles	-	-	-	(1,163)	(1,163)
Foreign Exchange Movement	(1,277)	-	(406)	-	(1,683)
Disposals	(114)	-	-	-	(114)
At 31 July 2023	299,869	3,700	31,887	2,868	338,324
Depreciation & Impairment					
At 1 August 2022	97,846	199	11,306	-	109,351
Charge for year	10,114	91	4,232	-	14,437
Impairment in year	-	-	-	-	-
Foreign Exchange Movement	(346)	-	(144)	-	(490)
Disposals	-	-	-	-	-
At 31 July 2023	107,614	290	15,394	-	123,298
Net Book Value					
At 31 July 2023	192,255	3,410	16,493	2,868	215,026
At 1 August 2022	200,854	3,501	14,490	4,765	223,610

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

Included in cost for the Group is £6,191,000 (2021 £4,943,000) relating to assets in the course of construction, of which £5,934,000 (2022: £1,817,000) relates to freehold land and buildings and £257,000 of related equipment (2022: £3,126,000).

Heriot-Watt Group has considered the impact of the Heriot-Watt Malaysia impairment assessment (prepared under MFRS) and considered the indicators of impairment set out in FRS102. The Group has concluded that the assets are also impaired under FRS102. Impairment loss of £2.03m has been reflected in the group financial statements. As the impairment loss is reflected in the Heriot-Watt Malaysia entity within Heriot-Watt Group, there is no impact on Heriot-Watt Institution financial statements.

At 31 July 2023 land and buildings for the group included £5,188,000 (2022: £5,188,000) in respect of freehold land which is not depreciated.

13. Investments

	Consolidated		Institution	
	2023 £000	2022 £000	2023 £000	2022 £000
Non-current investments				
Investment in subsidiaries (a)	-	-	5,374	5,471
Investment properties (b)	15,100	13,850	15,100	13,850
Other investments (c)	33,408	26,504	33,408	26,504
	48,508	40,354	53,882	45,825
Current investments				
Fixed term interest deposits	2,500	-	2,500	-
	2,500	-	2,500	-

(a) Investment in subsidiaries

	Institution	
	2023	2022
	£000	£000
As at 1 August	5,471	5,440
Fair Value adjustments	(97)	31
As at 31st July	5,374	5,471

(b) Investment properties

	Consolidated		Institution	
	2023	2022	2023	2022
	£000	£000	£000	£000
As at 1 August	13,850	11,580	13,850	11,580
Revaluation	1,250	2,270	1,250	2,270
As at 31 July	15,100	13,850	15,100	13,850

Other investments (c)

	Consolidated		Institution	
	2023	2022	2023	2022
	£000	£000	£000	£000
As at 1 August	26,504	21,104	26,504	21,104
Additions	10,239	6,042	10,239	6,042
Transfers	-	-	-	-
Disposals	(2,237)	-	(2,237)	-
Fair Value adjustments	(1,098)	(642)	(1,098)	(642)
As at 31st July	33,408	26,504	33,408	26,504

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	
	2023	2022	2023	2022
	£000	£000	£000	£000
General consumables	16	8	-	-

15. Trade and other receivables

	Consolidated		Institution	
	2023 £000	2022 £000	2023 £000	2022 £000
Amounts falling due within one year:				
Research grants receivables	23,319	21,739	23,319	21,739
Trade receivables	10,900	11,204	9,753	9,652
Trade debt provision	(1,806)	(3,238)	(1,683)	(3,110)
Prepayments and accrued income	9,793	8,147	9,475	7,643
Amounts due from group undertakings	-	-	15,716	14,377
	42,206	37,852	56,580	50,302
Amounts falling due after more than one year:				
Loans by parent undertakings	-	-	13,322	11,822
Prepayments and accrued income	-	814	-	814
	42,206	38,666	69,902	62,938

Research grants receivable represent only accrued research income.

Included in prepayments and accrued income is £814,000 (2022: £1,086,000) 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	
	2023 £000	2022 £000	2023 £000	2022 £000
Unsecured loans	385	1,063	385	1,063
Grants in advance for research	46,215	29,857	46,086	29,716
Other grants in advance	1,601	694	1,601	694
Other creditors	153	128	153	128
Trade creditors	8,810	8,515	8,264	8,224
Other taxation and social security	3,133	5,026	3,220	4,762
Accruals and deferred income	43,901	47,957	41,479	45,161
Amounts owed to subsidiary undertakings	-	-	3,700	3,645
	104,198	93,240	104,888	93,393

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

	Consolidated		Institution	
	2023 £000	2022 £000	2023 £000	2022 £000
Unsecured loans	145,532	146,482	145,532	146,482
Deferred income	86,414	85,294	61,645	61,651
Other creditors	5,005	3,637	-	-
	236,951	235,413	207,177	208,133

Analysis of secured and unsecured bank loans

	Consolidated		Institution	
	2023 £000	2022 £000	2023 £000	2022 £000
Due within one year or on demand	1,014	1,062	1,014	1,062
Due between one and two years	629	629	629	629
Due between two and five years	23,019	1,425	23,019	1,425
Due in five years or more	121,255	144,428	121,255	144,428
	145,917	147,544	145,917	147,544

Unsecured loans outstanding at 31 July 2023

	Amount £'000	Repayable	Interest rate %	Borrower
Legal and General Assurance Society	30,000	2031	2.97	University
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
Great West Life & Annuity Insurance Co.	17,000	2041	3.31	University
Pension Protection Fund	25,000	2046	3.31	University
Legal & General Assurance Society Ltd	15,000	2027	2.14	University
Massachusetts Mutual Life Insurance Co. (USD loan)	3,423	2027	2.99	University
Great -West Life & Annuity Insurance Co.	233	2027	2.99	University
NY Trust (Barings) (USD loan)	3,345	2027	2.99	University
Great West Life & Annuity Insurance Co. (USD loan)	7,780	2029	3.08	University
Scottish Funding Council Salix loan	760	2025	-	University
Scottish Funding Council Salix loan	1,145	2029	0.25	University
Scottish Funding Council Salix loan	1,188	2041	0.25	University
Scottish Funding Council Salix loan	657	2041	0.25	University
Scottish Funding Council Salix loan	386	revolving	-	University
	145,917			

18. Provision for liabilities

	Pension Provisions			Total £000
	Obligation to fund USS deficit £000	Lothian pension fund deficit £000	Unfunded pension benefits £000	
Consolidated				
At 1 August 2022	62,941	-	230	63,171
Utilised in year	(14,376)	(3,955)	(28)	(18,359)
Additions	9,529	3,955	-	13,484
At 31 July 2023	58,094	-	202	58,296
Analysis of net movement in provision				
Charged to staff costs (note 7)	(6,930)	(3,955)	(28)	(10,913)
Net charge on pension assets (note 8)	2,083	(737)	-	1,346
Actuarial gain on pension schemes	-	36,231	-	36,231
Restriction of surplus	-	(31,539)	-	(31,539)
Total movement	(4,847)	-	(28)	(4,875)
Institution				
At 1 August 2022	62,941	-	230	63,171
Utilised in year	(14,376)	(3,409)	(28)	(17,813)
Additions	9,529	3,409	-	12,938
At 31 July 2023	58,094	-	202	58,296
Analysis of net movement in provision				
Charged to staff costs (note 7)	(6,930)	(3,955)	(28)	(10,913)
Net charge on pension assets (note 8)	2,083	(737)	-	1,346
Actuarial loss on pension schemes	-	36,231	-	36,231
Restriction of surplus	-	(31,539)	-	(31,539)
Total movement	(4,847)	-	(28)	(4,875)

USS Deficit

The obligation to fund the past deficit on the Universities Superannuation Scheme (USS) arises from the contractual obligation with the USS to fund deficit payments in accordance with the deficit recovery plan. In calculating this provision, management have estimated future staff levels within the USS scheme for the duration of the contractual obligation and salary inflation. The deficit recovery plan implemented following the 2018 actuarial valuation has resulted in a provision of £58.1 million as at 31 July 2023. (2022:£61.9m) The 2023 valuation was completed 20 December 2023 and any changes arising on its completion are due to be implemented by January 2024 and will impact 2023/24 Financial Statements.

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

	Estimate of increase in Provision to fund USS deficit recovery (£000)
0.5% pa decrease in discount rate	2,134
0.5% pa increase in salary inflation over duration	4,030

Lothian pension fund

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

Unfunded pension benefits

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.

19. Endowment reserves

	2023 Restricted permanent endowments	2023 Expendable endowments	Consolidated	
			2023 Total	2022 Total
Balances at 1 August 2022	£000	£000	£000	£000
Capital	8,573	2,199	10,772	10,892
Accumulated Income	1,220	367	1,587	1,145
	9,793	2,566	12,359	12,037
New endowments	-	1	1	314
Investment income	(151)	59	(92)	304
Expenditure		(106)	(106)	-176
	9,642	2,520	12,162	12,479
Increase/(decrease) in market value of investments	139	(43)	96	-120
As at 31 July 2023	9,781	2,477	12,258	12,359
<u>Represented by:</u>				
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
<u>Analysis by type and purpose:</u>				
Lectureships	1,705	1,154	2,859	2,895
Scholarships and bursaries	4,643	815	5,458	5,456
Prize funds	1,485	407	1,892	1,919
General	1,948	101	2,049	2,089
	9,781	2,477	12,258	12,359
<u>Analysis by assets:</u>				
Current and non-current asset investments			10,868	10,772
Cash and cash equivalents			1,390	1,587
			12,258	12,359

20. Restricted reserves

	Research £000	Donations £000	Consolidated	
			Total £000	2022 £000
Balances at 1 August 2022	10,218	5,166	15,384	8,870
New Grant	-	15	15	5,776
New donations	-	-	-	2,413
Investment income	-	52	52	49
Expenditure	(3,415)	-	(3,415)	(1,712)
Increase/(decrease) in market value of investments	-	(461)	(461)	(12)
As at 31 July 2023	6,803	4,722	11,525	15,384
<u>Analysis of other restricted funds/donations by type and purpose:</u>				
Lectureships	-	649	649	634
Scholarships and bursaries	-	1,542	1,542	2,108
Research support	6,803	-	6,803	10,218
Prize Funds	-	25	25	25
General	-	2,506	2,506	2,399
	6,803	4,722	11,525	15,384

21. Cash and cash equivalents

	Consolidated	
	2023 £000	2022 £000
Balances at 1 August 2022	112,619	105,371
Cash flows in year	(12,887)	7,248
As at 31 July 2023	99,732	112,619

22. Consolidation reconciliation of net debt

	Consolidated	
	2023 £000	2022 £000
Net debt 1 August 2022	(34,925)	(40,858)
Movement in cash and cash equivalents	(12,887)	7,248
Other non-cash changes	191	(4,236)
Changes in market value and exchange rates	(1,435)	2,921
Net debt as at 31 July	(46,185)	(34,925)
Change in net debt	(11,260)	5,933
Analysis of net debt:		
Cash and cash equivalents	99,732	112,619
Borrowings: amounts falling due within one year		
Unsecured loans	(385)	(1,062)
Borrowings: amounts falling due after one year		
Unsecured loans	(145,532)	(146,482)
Net debt as at 31 July 2023	(46,185)	(34,925)

23. Capital and other commitments

	Consolidated & Institution	
	2023 £000	2022 £000
Provisions have not been made for the following capital commitments as at 31 July 2023		
Commitments Contracted	3,272	1,676
Authorised but not contracted	6,069	7,817
	9,341	9,493

24. Lease obligations

As at 31 July 2023 commitments under operating leases were as follow:

	31 July 2023			2023	2022
	Land and buildings £000	Plant and machinery £000	Other leases £000	Total £000	Total £000
Consolidated)					
Payable during the year	10,060	128	27	10,216	8,712
Future minimum lease payment due					
Not later than 1 year	10,060	56	29	10,145	9,013
Later than 1 year and not later than 5 years	40,103	7	44	40,154	34,718
Later than 5 years	57,318	0	0	57,318	20,168
Total future minimum lease payment due	107,481	63	73	107,617	63,899
Institution					
Payable during the year	6,271	-	27	6,298	6,578
Future minimum lease payment due					
Not later than 1 year	6,271	-	29	6,300	6,403
Later than 1 year and not later than 5 years	24,945	-	44	24,989	24,654
Later than 5 years	14,739	-	-	14,739	20,168
Total future minimum lease payment due	45,955	-	73	46,028	51,225
Total Rental receivable under operating lease					
	As at July 2023			2023	2022
	Land and buildings	Plant and machinery	Other leases	Total £000	Total £000
Consolidated and Institution					
Future minimum lease payment due					
Not later than 1 year	819	-	-	819	750
Later than 1 year and not later than 5 years	2,822	-	-	2,822	2,775
Later than 5 years	45,443	-	-	45,443	43,890
Total future minimum lease payment due	49,084	-	-	49,084	47,415

Contingent rents receivable recognised in the Statement of Comprehensive income during 2023 were £819k (2022:£750k).

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 charge in the financial statements reflects the costs incurred by the group during the year of £16,344,000 (2022: £17,504,000); and is analysed as follows:

	Employer Pension Contributions (note 7)	Net charge on pensions (note 8)	Provision movement (note 18)	Consolidated	
				2023 £000	2022 £000
Universities Superannuation Scheme	14,376	2,083	(4,847)	11,612	50,995
Lothian Pension Fund	3,955	(737)	-	3,218	(33,188)
Scottish Teachers Superannuation Scheme	37	-	(28)	9	9
Other pension costs	1,505	-	-	1,505	720
	19,873	1,346	(4,875)	16,344	18,536

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 2020, of the Lothian Pension Fund (LPF) scheme on 31 March 2020, of the Scottish Teachers Superannuation Scheme on 31 March 2016.

a. 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 £14,376,000 (2022: £12,714,000) as shown above.

On conversion to FRS 102, the University has recognised a provision for the present value of the deficit reduction plan for the USS scheme. The discount rate used by the University to calculate the provision was 5.52% in 2023 (2022: 3.31%). The University is required to contribute a specified percentage of payroll costs to the pension scheme to fund the benefits payable to the University's employees who are members of the scheme. The percentage effective for the period of the accounts was 21.6% for 2023. (2022: 21.1% to September 2021, 21.4% to March 2022 before increasing to 21.6% from April 2022.)

The rate of 21.6% will continue to apply until 31 January 2024 at which point it will decrease to 14.5% until 30 April 2038.

The 2020 valuation was the sixth valuation for the Scheme under the scheme-specific funding regime introduced by the Pensions Act 2004, which requires schemes to adopt a statutory funding objective, which is to have sufficient and appropriate assets to cover their technical provisions. At the valuation date, the value of the assets of the Scheme was £66.5 billion and the value of the Scheme's technical provisions was £80.6 billion indicating a shortfall of £14.1 billion and a funding ratio of 83%.

The key financial assumptions used in the 2020 valuation are described below. More detail is set out in the Statement of Funding Principles which is available at: <https://www.uss.co.uk/about-us/valuation-and-funding/statement-of-funding-principles>.

CPI assumption	Term dependent rates in line with the difference between the Fixed Interest and Index Linked yield curves less: 1.1% p.a. to 2030, reducing linearly by 0.1% p.a. to a long term difference of 0.1% p.a. from 2040.
Pension increases (subject to a floor of 0%)	CPI assumption plus 0.05%
Discount rate (forward rates)	Fixed interest gilt yield curve plus: pre-retirement: 2.75% p.a.; post retirement: 1.00% 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 2020 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 2019 with a smoothing parameter of 7.5, an initial addition of 0.5% p.a. and a long-term improvement rate if 1.8% for males and 1.6% for females.

The current life expectancies used in the 2020 valuation on retirement at age 65 are:

	2023	2022
Males currently aged 65 (years)	24	23.9
Females currently aged 65 (years)	25.6	25.5
Males currently aged 45 (years)	26	25.9
Females currently aged 45 (years)	27.4	27.3

A deficit recovery plan was put in place as part of the 2020 valuation, which required payment of 6.2% over the period 1 April 2022 until 31 March 2024 at which point the rate will increase to 6.3%. The deficit recovery liability included in the financial statements for the year ended 31 July 2023 reflects this deficit recovery plan. The liability figures have been produced using the following assumptions:

	2023	2022
Discount rate	5.49%	3.31%
pensionable salary growth	3.65%	3.00%

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

	2020 Valuation	2018 Valuation
Scheme assets	£66.5bn	£63.7bn
Total scheme liabilities	£80.6bn	£67.3bn
FRS 102 total scheme deficit		
FRS 102 total funding level	£14.1bn	£3.6bn
	83%	95%

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 (the last formal valuation point). In October 2023 the UUK and UCU agreed a number of benefit improvements as well as reduction in employer and employee contribution rates. The proposals issued 20 December 2023 reduce the employer contribution rate of the University from 21.6% to 14.5% from 1 April 2024.

b. Lothian pension Fund

The LPF is a pension scheme providing benefits based on final pensionable pay. The assets and liabilities of the scheme are held separately from those of Heriot-Watt University. Pension scheme assets are measured using market values. Pension scheme liabilities are measured using a projected unit method and discounted at the current rate of return on a high-quality corporate bond of equivalent term and currency to the liability. Contributions to the Scheme are calculated so as to spread the cost of pensions over employees' working lives with the University. The Contributions are determined by an actuary based on triennial valuations using

the Age Attained Method. Variations from regular cost are spread over the expected average remaining working lifetime of members of the schemes, after making allowances for future withdrawals. The amount charged to the statement of comprehensive income represents the service cost expected to arise from employee service in the current year.

An actuarial valuation exercise has been undertaken by a qualified independent actuary in order to calculate pension expense as at 31 July 2023

A net surplus of £57.5m as at 31 July 2023 (2022: £21.5m) 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 2023 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 an LGPS. 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	2023	2022
Equities	73%	71%
Bonds	15%	14%
Property	8%	7%
Cash	4%	8%

The major assumptions at 31 July 2023 used by the actuary

	2023	2022
Pension increase rate	3.00%	2.75%
Salary increase rate	3.50%	3.25%
Discount rate	5.05%	3.50%

Life Expectancy

Life expectancy is based on the Fund's VitaCurves with improvements in line with the CMI 2021 model, with 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 are summarised below:

	Males	Females
Current Pensioners	19.8 years	22.7 years
Future Pensioners*	21.0 years	24.5 years

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

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

Period ending	Current pensioners	Future pensioners
31-Jul-23	CMI 2021 model, with a 0% weighting of 2021 (and 2020) data, standard smoothing (Sk7), initial adjustment of 0.5% and a long-term rate of improvement of 1.5% p.a. for both males and females	CMI 2021 model, with a 0% weighting of 2021 (and 2020) data, standard smoothing (Sk7), initial adjustment of 0.5% and a long-term rate of improvement of 1.5% p.a. for both males and females

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.

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

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.

	2023			2022		
	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	160,139	-	160,139	150,996	-	150,996
PV of funded liabilities	-	(138,437)	(138,437)	-	(187,397)	(187,397)
PV of unfunded liabilities	-	(162)	(162)	-	(196)	(196)
Restriction applied to surplus	(21,540)	-	(21,540)	-	-	-
	138,599	(138,599)	-	150,996	(187,593)	(36,597)
Defined benefit costs recognised in Profit or (Loss)						
Service costs						
Current service cost*	-	(4,786)	(4,786)	-	(8,019)	(8,019)
Past service cost (including curtailments)	-	(140)	(140)	-	-	-
	-	(4,926)	(4,926)	-	(8,019)	(8,019)
Net interest						
Interest income on plan assets	5,609	-	5,609	2,415	-	2,415
Interest cost on defined benefit obligation	-	(4,872)	(4,872)	-	(3,012)	(3,012)
Total net interest	5,609	(4,872)	737	2,415	(3,012)	(597)
Total defined benefit cost	5,609	(9,798)	(4,189)	2,415	(11,031)	(8,616)
Cashflows						
Plan participants' contributions	929	(929)	-	809	(809)	-
Employer contributions	3,955	-	3,955	3,409	-	3,409
Estimated benefits paid	(4,417)	4,417	-	(4,137)	4,137	-
Estimated unfunded benefits paid	(15)	15	-	(14)	14	-
Estimated contributions in respect of unfunded benefits paid	15	-	15	14	-	14
Effect of business combinations and disposals	-	-	-	-	-	-
Total cashflows:	467	3,503	3,970	81	3,342	3,423
Expected closing position before remeasurements	144,675	(144,894)	(219)	153,492	(195,282)	(41,789)
Remeasurements						
Changes in financial assumptions	-	37,761	37,761	-	62,038	62,038
Changes in demographic assumptions	-	1,814	1,814	-	827	827
Other experience	-	(11)	(11)	-	(6,182)	(6,812)
Return on assets excluding amounts included in net interest	(3,333)	-	(3,333)	6,647	-	6,647
Total remeasurements recognised in Other Comprehensive Income (OCI)	(3,333)	39,564	36,231	6,647	56,683	63,330
Restriction applied to surplus recognition	(36,012)	-	(36,012)	(21,540)	-	(21,540)
Closing Position as at 31 July	105,330	(105,330)	-	138,599	(138,559)	-
Represented by:						
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 recognition	(57,552)	-	(57,552)	(21,540)	-	(21,540)
Closing Position as at 31 July	105,330	(105,330)	-	138,599	(132,756)	-

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

Sensitivity analysis

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

Change in assumptions at 31 July 2023:	Approximate % increase to Employer	
	Liability	Approximate monetary amount (£000)
0.1% decrease in Real Discount Rate	2%	1,931
1 year increase in member life expectancy	4%	4,213
0.1% increase in the Salary Increase Rate	0%	183
0.1% increase in the Pension Increase Rate (CPI)	1%	1,781

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 2023.

c. Scottish Teachers' Superannuation Scheme

The Scottish Teachers' Superannuation Scheme (STSS) is an unfunded multi-employer defined benefit only pension scheme.

The rate of employer contributions is set with reference to a funding valuation undertaken by the scheme actuary. The last four-yearly valuation was undertaken as at 31 March 2016. This valuation informed an increase in the employer contribution rate from 17.2% to 23.0% of pensionable pay from September 2019 and an anticipated yield of 9.4% employees contributions.

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

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

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

The total pension cost for the University was £37k (2022: £36k). This includes £6k (2022: £6k) of outstanding contributions at the year end.

d. National Employment Savings Trust (NEST)

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

The employer's costs for the year ended 31 July 2023 was £33k (2022: £22k).

e. Heriot-Watt Services Limited defined contribution pension scheme

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

The employer's costs for the year ended 31 July 2023 was £62,552.43 (2022: £45,853).

27. Contingent liabilities

There are no contingent liabilities as at 31 July 2023. (31 July 2022: none).

28. Events after the reporting period

The results of the 2023 Triennial valuation in respect of the **Universities Superannuation Scheme (USS)** was published. The March 2023 valuation (issued 20 December 2023) shows the scheme returning to a surplus position of £7.4bn compared to a deficit of £14bn in March 2020 (the last formal valuation point). In October 2023 the UUK and UCU agreed a number of benefit improvements as well as reduction in employer and employee contribution rates. The proposals issue 20 December 2023 reduces the employer contribution rate of the University from 21.6% to 14.5% from 1 April 2024.

29. Financial instruments

	Consolidated	
	2023	2022
	£000	£000
Financial assets		
Assets held at amortised cost	84,831	70,059
Cash & cash equivalents	99,732	112,619
	184,563	182,678
Financial Liabilities held at amortised cost		
Liabilities held at amortised cost	37,692	35,069
Loan held at amortised cost	145,532	146,482
	183,224	181,551

a. Liquidity risk

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

b. Credit risk

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

	Consolidated	
	2023	2022
	£000	£000
Financial assets		
Trade debtors and other receivables	34,300	29,705
Cash and cash equivalents	99,732	112,619
	134,032	142,324

c. Material risk

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

d. Interest rate risk

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

	Consolidated	
	2023	2022
	£000	£000
Fixed rate instruments		
Financial liabilities	(145,532)	(142,600)
Variable rate instruments		
Financial assets	48,508	26,504

e. 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.

f. Fair values

	Consolidated	
	2023	2022
	£000	£000
Trade debtors and other receivables	32,413	29,705
Cash and cash equivalents	99,732	112,619
Trade creditors and other payables	(37,691)	(47,857)
Long term borrowings	(145,917)	(147,544)

The following methods and assumptions were used to estimate 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.

30. Access funds

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

	Covid-19 2023	Childcare 2023	Hardship 2023	International Fund 2023	Total 2023	Total 2022
	£000	£000	£000	£000	£000	£000
At 1 August 2022	386	9	79	0	474	448
Repaid to funding body	(386)	(9)	(79)	0	(474)	(448)
Funding Council grants	0	66	250	44	360	780
Disbursed to students	0	(44)	(236)	0	(280)	(306)
Virements	0	0	0	0	0	0
Balance unspent at 31 July 2023	0	22	14	44	80	474
Repayable to funding body	0	22	14	44	80	474

31. 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.

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 at <https://www.hw.ac.uk/about/profile/governance/court.htm>.

Included in these financial statements are the following transactions between the University and related parties where a member of the University Court or Senior Officer was also a director or trustee of the related party (as defined in Section 33 of FRS 102).

	Payments received	Payments made	Balance due to group at 31/07/23	Balance due from group at 31/07/23
	£000	£000	£000	£000
Heriot-Watt Student Union	-	809	-	9
JLL	-	205	-	78
British Geological Society	-	12	-	-
Entrepreneurial Scotland Foundation	-	9	-	4
University of Newcastle	9	-	-	-
SIS Ventures	23	-	-	-
Department for Business, Energy & Industrial Strategy	397	-	74	-

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.

Edinburgh Campus

Edinburgh EH14 4AS
+44 (0) 131 449 5111

Scottish Borders Campus

Galashiels TD1 3HF
+44 (0) 870 050 5152

Orkney Campus

Old Academy, Back Road, Stromness
Orkney Islands
Scotland KW16 3AW
+44 (0) 1856 850 605

Dubai Campus

Heriot-Watt University Dubai
Dubai Knowledge Park
PO Box 38103
Dubai, UAE
+971 4 277 4500

Malaysia Campus

No 1 Jalan Venna P5/2
Precinct 5
62200 Putrajaya
Malaysia
+60 3 8894 3888
hwum@hw.ac.uk

www.hw.ac.uk