

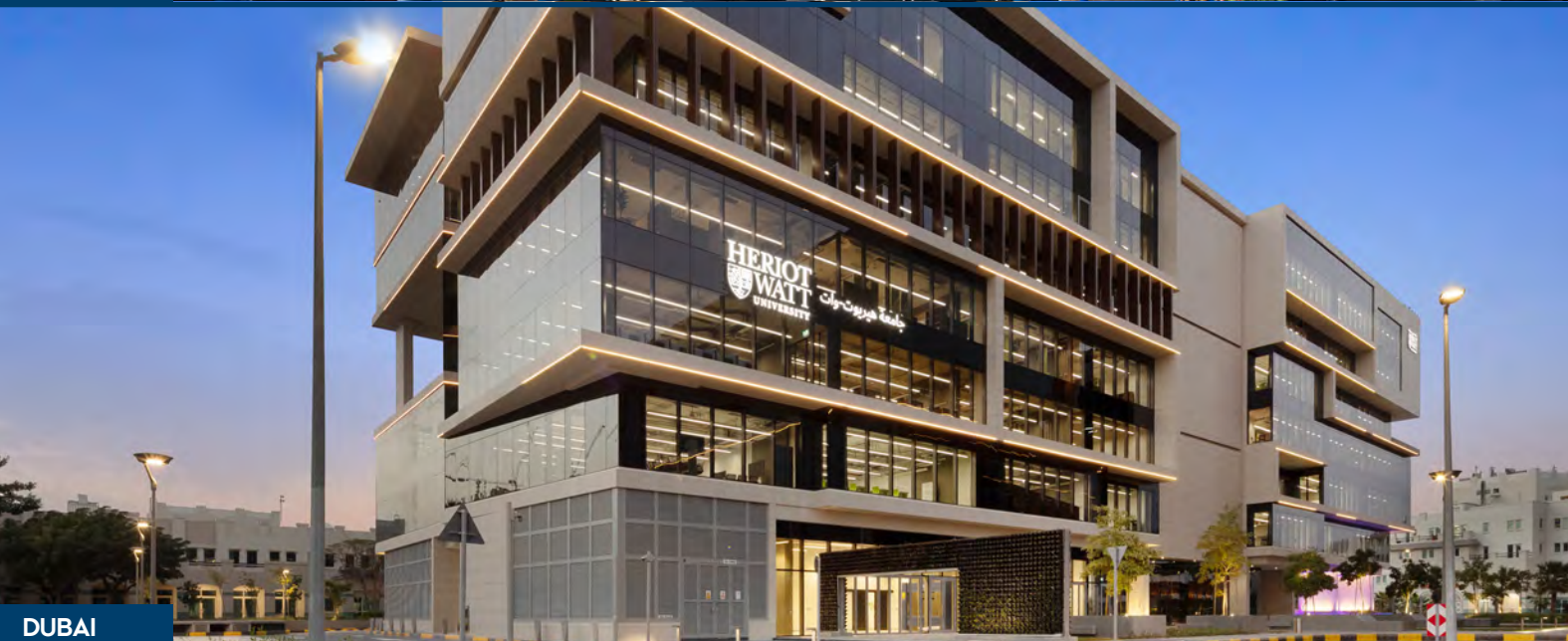


REPORTS AND FINANCIAL STATEMENTS

For the year
ended 31 July 2021



UK



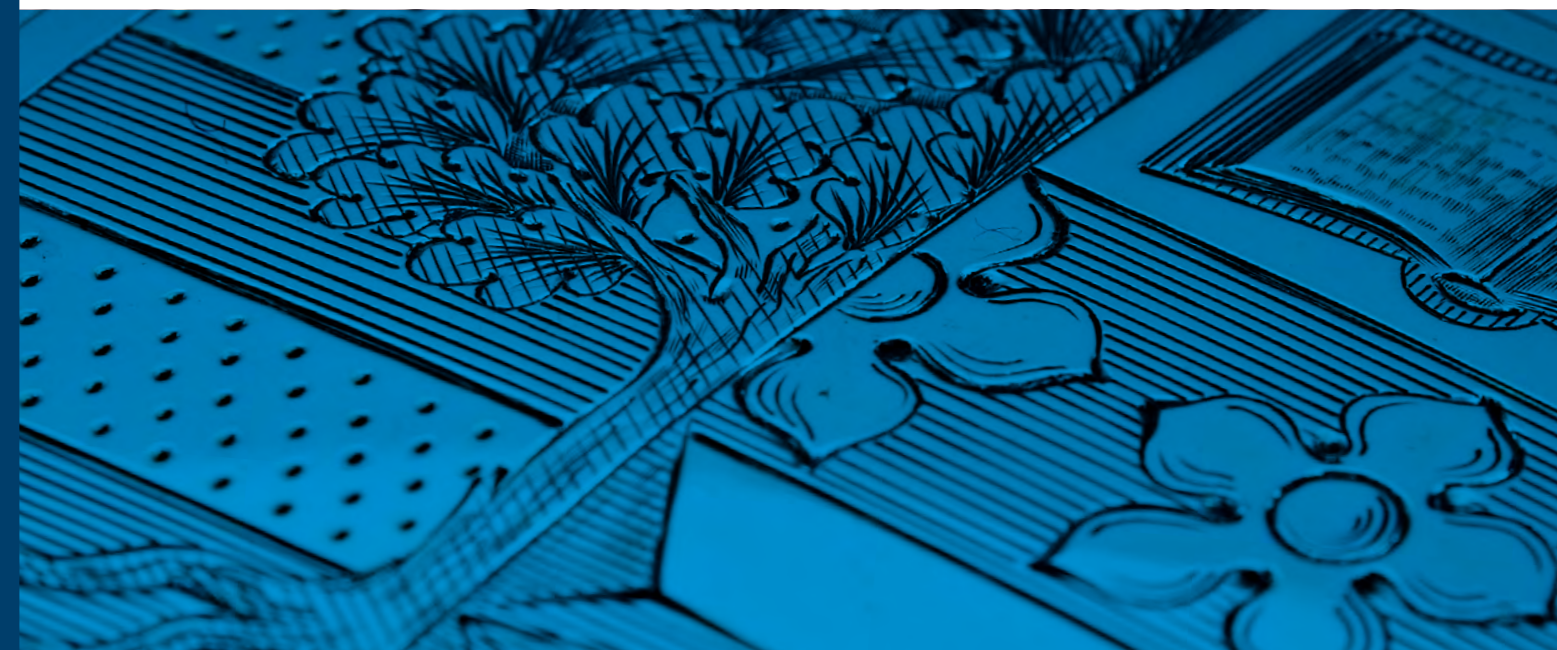
DUBAI



MALAYSIA

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PRINCIPAL'S REPORT



200
Years

INTRODUCTION BY THE PRINCIPAL AND VICE-CHANCELLOR

A Bicentennial year of outstanding achievements in challenging circumstances.

2020/21 ushered in an extraordinary bicentennial for Heriot-Watt University. It proved to be one of the most challenging years we have faced, yet also in many areas one of the most successful in advancing our mission for global effectiveness and digital transformation. The challenges stemmed primarily from the pandemic crisis; the successes were many. During the year, we have returned to close to pre-pandemic levels of income and costs have been managed in light of the challenges and uncertainties faced due to Covid. We are a unique multi-national University, with staff and students across five campuses who deserve huge credit for the way in which they rapidly adapted to often innovative ways of working. In so many ways, the pandemic crisis served to bring us all closer together and accentuated our distinctive sense of both collective and individual 'purpose'. Our decision not to vary any education-related timelines, unlike many other institutions, and to communicate clearly to students in close partnership with the Student Representative Bodies resulted in swift responses to issues as they arose. The Executive and entire staff across Edinburgh, Orkney, the Borders, Dubai and Malaysia worked heroically throughout the year and beyond. Success came through flexibility, ingenuity and working as a team, globally.

As champions of transformational digital education, we were well equipped for moving online in ways that often enhanced aspects of the learning experience. In this year's strategic report, you will read of significant initiatives such as the shift to Responsive Blended Learning (RBL) and Canvas, our new virtual learning environment.

Substantial oversight and management of COVID-related protocols have been demanding and continue to be so, but the safety of staff and students has been front and centre of our minds, and maintained through these important measures.

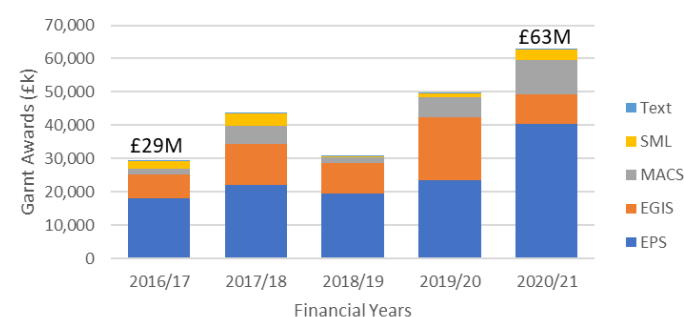
Yet there have been many other achievements over and above our response to the pandemic. As well as the shift to RBL and the new virtual learning environment, we have continued to pioneer educational excellence through our learning and teaching strategy. Our Learning and Teaching Academy, which we established in 2019, played a pivotal role in supporting our switch to new learning, teaching and assessment practices at pace. Our Foundation programme in Malaysia, which was pivoted to an online mode during the pandemic, proved invaluable to sustaining student recruitment levels. In March 2021, the University received the Quality Assurance Agency's Outcome Report¹ from its Enhancement Led Institutional Review which was concluded following delays caused by Covid. This report notes that Heriot-Watt has been awarded the QAA Quality Mark for meeting or exceeding UK expectations for quality and standards and the review includes a number of commendations. These include recognition of the strategic approach to international and multi-campus provision; positive partnership working with the student representative bodies; a global and connected approach to student support; institutional commitment to enhancing learning and teaching; and a mature and effective institutional quality framework which is well understood by staff across all campuses, supported by clear and accessible documentation.

Our surge in research income contracts won was a major success story, growing from around £50m in 2019/20 to £63m in 2020/21, and driven largely by our reputation in industrial and governmental priorities such as net zero, quantum technology, robotics, artificial intelligence, mathematics and green logistics, as well as our commitment to creating up to six global research institutes.

Our frontier research and its impact were recognised through the award of a Queens Anniversary Prize 2021 for the research team working in optics and quantum technologies. In Spring 2022, our National Robotarium will open in a new building, following the well-established Lyell Centre for earth and marine science. In the past financial year, we also beat UK-wide competition to win a £20m award to take leadership of the UK's Industrial Decarbonization Research and Innovation Centre (IDRIC), based virtually at Heriot-Watt. We advanced our reputation globally in reaching 270th position in the QS World Rankings, up from 301st last year.

¹<https://www.qaa.ac.uk/reviewing-higher-education/quality-assurance-reports/Heriot-Watt-University>

Grant Award Value
16/17 to 20/21



Our relationships with business in the UK and globally are stronger than ever, and we remain committed to initiatives such as Upskilling Scotland and our Graduate Apprentice programme. A notable accolade was the independent review of 8.4m UK graduates since 2000, in which Heriot-Watt was shown to be the top-performing university in Scotland for producing Chief Executive Officers and Managing Directors. And while all of this was taking place through new ways of working, we achieved the huge success of opening our new world-class Dubai Campus, located in the heart of digital corporations at Dubai Knowledge Park, smoothly transitioning our students and staff and delivering a substantial expansion in recruitment.

This was also a year of significant reorganisation. We strengthened executive management and integration of our five campuses by creating a Global Operations Executive, bringing together leaders from our schools and directorates across the world and embedding team thinking and practices learned from the pandemic. This group reports to the University Executive, the University's primary executive decision making body. On a quarterly basis, the University Executive, and the Global Operations Executive meet together to review and manage risk and internal controls, ensuring progression of internal audit processes. The University Executive and Global Operations Executive have implemented a major change in the annual planning process to drive strategic planning in a more coherent manner. Through our Court effectiveness review work, we continue to improve efficiency and effectiveness, streamlining governance and enhancing delegations from Court to its Committees in order to ensure sufficient time for strategic discussion.

We also progressed implementation of our new Enterprise Resource Planning Oracle system for HR and Finance, which will increase efficiency and effectiveness as part of the Digital Enabler, underpinning delivery of Strategy 2025. Implementation continues to be challenging as we rectify defects and issues with the system, and data migrated from the previous accounting system. The restructuring of our

Finance function is progressing well and will help optimise the system changes and benefits, but has added to pressure on colleagues and operations in the short term. Additional resource has been required for specialist third party support to resolve significant issues during the implementation. A lessons learnt exercise will be conducted and used to inform the planning and delivery of future transformation projects.

Our Annual Stakeholder meeting in June 2021 reached a live audience of 470 through an online programme reporting on the University's performance with a live panel session hosted by the Deputy Chair of Court. This focused on Strategy 2025 and the theme of Our Past, Your Future. A big theme for the year, illustrated through our Annual Stakeholder Meeting, was driving a sustainable future through a focus on excellence, resource, portfolio development, digital transformation, academic architecture and our people. A good example of our constant push for improvement was the introduction of AP2.0, a new strategic and risk informed financial planning process which is enabling coherent conversations across the whole institution and, for the first time, fully aligning professional services planning with academic needs.

Having secured a Top 30 place in both the Times and Sunday Times 2022 Good University Guide and the Complete University Guide 2022, we are in an exciting place. We entered the top 30 in the UK's "Times Table of Tables" cementing the overall improvement in student engagement and satisfaction. Importantly, 2020/21 was also a landmark year for advances in Equality, Diversity and Inclusion (EDI) as bespoke sessions with the Global University Leadership Forum and the University Court pushed forward critical conversations in this area. The Equality and Diversity Advisory Group was reviewed and a new forum, the Global Equality, Diversity and Inclusion Board has been established and will start its work later in 2022, reporting directly to the University Executive. EDI outcomes have been mapped onto Strategy 2025, and we continue to see a significant shift in our EDI work across leadership, strategic scope and operational levels.

Bicentennial celebrations during 2021 and through into 2022 continue to provide opportunities to reflect on the achievements of the past 200 years, and we look forward to ways in which we can support our global communities and sustain our positive impact on the wider world. We mapped out our vision for this in a Prospectus For Recovery And Future Growth, with four pledges covering research, skills, young people and global networks².

We are also committed to taking a global lead on sustainability and are engaged in extensive foundation work towards establishing stronger integrated Environmental Social and Governance metrics. During 2020/21 we launched the "Hutton Series on Climate Change" hosted by Panmure House and designed to identify key priorities and actions to address climate challenges, with the output published as a contribution to the COP26. The series was designed to provide open discourse around energy, climate change and resource use and availability, in a debate between industry, NGOs, government and the public. In November 2021, we appointed Professor Mercedes Maroto-Valer to the role of Deputy Principal of Global Sustainability, a new appointment taking a lead in this field from 1 January 2022. We are one of only a few universities in the UK to recognise the importance of global sustainability at Executive level and this role will lead our commitment to secure a globally fossil-free society within a generation and to quantify the net global and social impact of our research and policies, respond to climate change and meet the UN sustainable development goals. As we look forward into 2021/22, we will be establishing a Net Zero Community Hub as a focal point for driving forward on our Global Environmental Sustainability Strategy and the ten commitments approved by Court in February 2021.

Looking further out we are mindful of the economic challenges currently being faced, and which are likely to persist into 2023, from the increasing costs of utilities and general inflation and the pressures this will put onto the cost of salaries. The diversification of our offering will help to mitigate to some extent. However, it is unlikely that we will see these cost pressures reflected in the teaching income received from the Scottish Government or in the cost agreed to educate students from the rest of the UK. The focus will be on controlling our costs and mitigating these inflationary pressures on our cost base.

2020/21 has seen us deliver progress with many aspects of Strategy 2025 and the implementation of our strategic planning and budgeting process, AP2.0. With research growth, flexible responses in providing new entry pathways and improved recruitment, income has recovered, and costs have been managed, but there is continued volatility and uncertainty. The University has a strong cash position and a clear investment strategy for the year ahead. The investment strategy utilises elements of the private bond placement monies whilst remaining within the bond covenant requirements, as we have in 2020/21. Despite such a challenging time for all of our staff and our students, it's extraordinary what has been achieved at Heriot-Watt and I would like to acknowledge and thank all our staff for their hard work and commitment to the University. I would also like to Thank the Court and its committees for the unstinting work and support throughout the year. As the world emerges from the pandemic crisis to tackle climate change, it's more important than ever that we continue to demonstrate our purpose as an outstanding globally-connected university.

Professor Richard A. Williams
Principal and Vice Chancellor
Date: 28 February 2022

²recovery-prospectus.pdf (hw.ac.uk)

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 work-based education, responding to the needs of business and industry and building our global reach. Throughout 2021, we have celebrated our bicentennial year, reflecting on our heritage whilst looking forward to the delivery of our mission and strategy.

We completed the relocation to our purpose-built Edinburgh campus in 1992. The creation of the Scottish Borders campus and the School of Textiles and Design in Galashiels followed through our merger with the Scottish College of Textiles in 1998. The Orkney campus opened in 1989 as part of the International Centre for Island Technology, subsequently moving to a spectacularly located campus, in partnership with Orkney Council. A new campus was constructed and opened in 2020.

In 2005, we established the first overseas UK university campus in Dubai International Academic City, moving to a new, world-class digital campus in 2021 in Knowledge Park adjacent to Internet City. In 2014, we opened an outstanding purpose-built campus in Malaysia, serving the South East Asia region and beyond. 'Go Global' the opportunity for students to study part of their programme at a different Heriot-Watt location, has become a differentiator and highly attractive feature in the University's offering.

In addition, in 2018 we opened Panmure House – the final home of Adam Smith, the father of economics – as the University's contemporary centre of learning, debate and enlightenment, led by Edinburgh Business School. The University remains true to its heritage of creating and exchanging knowledge for the benefit of society, delivering teaching that is professionally relevant and careers-focused, and developing world leading, innovative research that provides practical solutions to contemporary issues. We provide a distinctive education and a high-quality student experience, and we continue to grow as a multi-national university characterised by our commitment to excellence, to online and flexible work-based learning



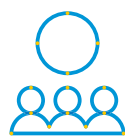
OUR VALUES



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.

INSTITUTIONAL STRUCTURE

Our teaching and research is structured around five 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); and the School of Social Sciences – incorporating the Edinburgh Business School (SOSS./EBS).

OUR PURPOSE

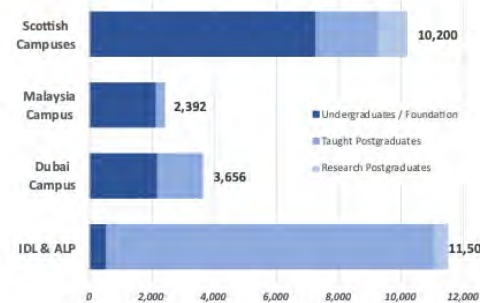
From a pioneering institute born out of the Scottish Enlightenment in 1821, to a leader in transnational education, Heriot-Watt has become a global university through a commitment to its vision, mission and ethos.

OUR PEOPLE

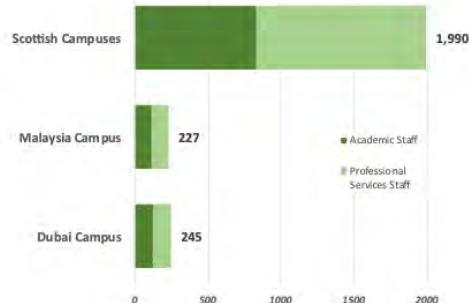
HERIOT-WATT UNIVERSITY
SIZE AND SHAPE



Student Headcount by Level and Location



Staff Headcount by Location and Function



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.



At Heriot-Watt University, we provide employment to 1,067 academic staff and 1,395 professional services staff – 2,462 in total. 1,990 of our staff are based at our Scotland campuses, 245 in Dubai and 227 in Malaysia. Our student numbers now total 27,754. Of these, 11,506 are independent distance learners and students studying with the University's academic partners; 10,200 are on the Scotland campuses, 3,656 are in Dubai and 2,392 in Malaysia. Our student population breaks down into 12,125 undergraduate and foundation students, 14,151 taught postgraduate students and 1,478 research postgraduate students.

HERIOT-WATT UNIVERSITY
SIZE AND SHAPE



STRATEGY 2025:
SHAPING TOMORROW TOGETHER

Our progress as an ambitious, innovative and globally-connected university is driven by our Strategy 2025 – Shaping Tomorrow Together. Building on our heritage and expertise, the strategy comprises four high-level themes that connect to our activities and guide us in the way that we continue to pioneer in education, excel in research, build flourishing communities and develop our globally-connected status.

- The four themes are:
- Building Flourishing Communities
 - Pioneering in Education
 - Excelling in Research and Enterprise
 - Advancing as A Globally Connected University

The Strategic performance indicators related to these themes are summarized in the section on “Measuring our Performance” on page 22.

Strategic and Financial Planning process, ‘AP2.0’

Importantly, a new strategic and financial planning process called AP2.0 (Annual Planning) was developed and used for the first time, enabling coherent conversations across the whole institution and fully aligning professional services with academic needs to deliver the strategy. AP2.0 is addressing key risks and helping us to prioritise and invest in projects, driving forward with Strategy 2025 implementation.



BUILDING FLOURISHING COMMUNITIES

Communities flourish when they are inspired, connected, collaborative and valued. Through our strategy we will continue to generate these attributes across students, staff and alumni, and strive to be a positive influence on the communities where we are based. We will shape tomorrow together to deliver benefits for all of society.

FLOURISHING COMMUNITIES:
OUTCOMES

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



Strategic Performance Indicators

- Achieve upper sector quartile for staff satisfaction
- Double global economic impact.

Staff Engagement

Our strategy puts our community of staff, students and alumni at the heart of everything we do. This means regular communication with our staff and students around the world is essential to keep them informed and engaged. Local engagement has also been key at school, directorate and campus level, supporting our community through the pandemic with regular updates and advice as we have adapted to working in globally connected hybrid forms.

The Annual Staff Engagement Survey carried out in early 2021 reported significant improvements in relation to staff Communications and senior leadership visibility. Despite the lockdown pressures faced by our colleagues, our staff engagement score rose from 70% in 2019 to 72% in 2021, with highest engagement of 82% in Dubai. To qualify as ‘engaged’, staff demonstrated that they speak positively about Heriot-Watt, see a positive future here and are motivated by our leaders to contribute to the aims and success of the University. The scores likely reflect our activities in increasing communication as we moved online during lockdown, ensuring that all staff, including those on furlough in Scotland, were

kept fully informed of developments through weekly blogs/ videoblogs, town hall meetings and monthly all-staff executive briefings with attendance figures that often exceeded 2,000. Social activities were also developed online to bring us closer together as a community. We ensured that our values remained central to everything we did, extending a sense of belonging to all of our communities while celebrating success, inspiring curiosity and encouraging collaboration.

Results for wellbeing and diversity and inclusion also remained positive and all our staff have worked hard to support each other and our student community, with strong and regular communications in multiple forms playing a key role in this.

As we welcomed staff back on to our campuses through the difference phases of the pandemic, some following periods of furlough in Scotland, we have conducted reorientation sessions with staff providing advice and guidance on safe working in our teaching, office and laboratory spaces.

A particular focus during this year was to share information about the review of the USS Pension Scheme. The forecast deficit of the Fund, and potential implications for employer and employee contributions means that this is a challenging situation for the UK higher education sector as a whole. We have organized briefings and smaller discussion groups

for staff as well as arranging presentations and one to one meetings with an independent financial advisor. Our aim has to conduct a conversation with our staff ensuring that all had the opportunity to engage with the valuation process and understand the key underlying issues.

The visibility of our senior leaders was also enhanced and we worked closely with trade unions over staff wellbeing and the more challenging aspects of cost savings required as a result of the impact of COVID-19 and strategic re-shaping of operations, with a focus on shaping a more demand-led portfolio and a significant development of online programming. Difficult decisions had to be made but a total of 82 redundancies were successfully managed across the University Group in 2020/21 through a voluntary severance programme.

Student Satisfaction

It was of course a challenging year to be a student and, as with our staff, we applied the same values and outreach principles, helping students adapt to home study, while taking care of those who remained on campus. Key to keeping our student community engaged was the rapid rollout of our Responsive Blended Learning approach to educational provision including the creation of a rich online experience through webinars, tutorials, discussions and collaborative projects.

The success of this initiative was reflected in our scores in the 2021 National Student Survey that saw Heriot-Watt ranked among the top 30 UK universities for 'student experience'. We were placed 28th out of 123 universities, as well as ranking first in Scotland for three subjects: Statistics, Management, and Chemical, Process and Energy Engineering.

These positive outcomes were reflected in the work of our Global Student Life Committee, the Court Committee that provides governance oversight to the student life and experience across all modes of study and locations. The Student Partnership Agreement is central to the work of this committee, framing its agenda around key themes that have been developed and agreed in collaboration with our student body. Each year, the Student Partnership Agreement sets out key goals and measures for improvements agreed by staff and students, and is being extended in its scope for 2021/22.

Alumni

Our alumni form an extensive, global community with whom we continue to build stronger relationships by encouraging new ways to develop their engagement with the University. During the last year, we reconnected with close to half of our current alumni. The pandemic crisis proved no barrier to those relationships as online events marked our bicentennial and many high achievers from our student, staff and alumni communities, past and present, were celebrated in our 'Watt A Legend' campaign. The ability to travel more freely as we move through 2021 into 2022 will, however, also prove a welcome opportunity for reviving physical alumni gatherings around the world.

The warmth of our alumni community was also evidenced by their financial support for the University. In celebration of our bicentennial year, we launched the '1821 Appeal' in support of our university's vision to enable talented students worldwide to access a Heriot-Watt education, whatever their background or circumstances in life. To realise this vision, we aim to raise £4 million to create new opportunities for under-represented students from our communities in Scotland, Dubai, Malaysia, and beyond, enabling talented individuals to pursue their academic ambitions and achieve their goals. By August 2021, we had secured almost £3 million in cash and pledges in support of the appeal, with donations at various levels of giving as well as allocations from our endowment funds. We are also pleased to report that we have received significant donations to support research, in particular research into sustainable capitalism and the long-term funding of innovation, with Baillie Gifford committing to a minimum of £2m over the next five years for a professorial appointment linked to Panmure House.

Equality, Diversity and Inclusion

At Heriot-Watt, we take a 'one university' approach and are committed to progressing Equality, Diversity and Inclusion (EDI) outcomes across the board and embedding these in the delivery of Strategy 2025. Indeed, 2020/21 was a landmark year for EDI advances in at Heriot-Watt, and that work continues into 2022 and is being framed within our multi-cultural context, rather than adopting terms and approaches that do not readily translate across cultures and locations. EDI outcomes have been mapped onto Strategy 2025, and 2021 continues to see a significant shift in our EDI work across leadership, strategic scope and operational levels. Bespoke EDI sessions were held with our Global University Leadership Forum and the University Court during 2021. In 2022 the new Global Equality, Diversity and Inclusion Board will start its work, reporting directly to the University Executive.

2021 saw the publication of major EDI commitments via our renewed Athena SWAN Bronze Award action plan, embracing the advancement of gender equality, alongside the legally binding Public Sector Equality Duty (PSED) commitments contained in our equality outcomes and pay gap activities. We are also committed to a British Sign Language Local Plan and the implementation of the Equally Safe agenda, and have been contributing to the steering group for the Tackling Racism on Campus project, funded by the Scottish Funding Council. Importantly we are making sure we are better at joining up EDI areas. Our Equality Outcomes are connected to EDI streams such as Athena Swan, our British Sign Language Local Plan, addressing gender-based violence and our work to resolve pay gaps.

Recent EDI events that were accessible across all campuses included the virtual menopause café for Menopause Awareness Month and the online screening of Picture A Scientist for Ada Lovelace Day (both in October 2021), plus parent and carers drop-in sessions throughout 2020/21.

Dubai-specific activity included hosting a Women in Middle East Construction session in October 2021. Meanwhile, in Malaysia, 822 people took part in the digital Global Happiness Forum in March 2021, while the My Staff Hub focused on staff wellbeing with 18 stories written and shared by staff members supporting flourishing communities.

Employment of Disabled Persons

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

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

In the event of existing employees becoming disabled, every effort is made to ensure that their employment with the 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.

During the pandemic with remote working the University has sought to support colleagues with disabilities, including providing recordings with British Sign Language interpretation. As we consult on the future of globally connected Hybrid working at the University we are paying particular attention to the voices of disabled colleagues to ensure we maximize the benefits of different ways of working to create a truly inclusive community.

UK Trade Union Facility Time Reporting for the Period April 2020 To March 2021

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 2020-21 financial year, paid facility time was formally granted as FTE for UCU, Unite and Unison, to be allocated across individuals as each union felt appropriate. The amount of paid Facility Time allocated was in recognition of the important role Union Representatives had in working with management in relation to responding to the impact of the Covid pandemic and the change management programme which required

additional regular meetings and representation in formal consultation. This allocation has been approved unchanged for the 2021-22 year and will be reviewed towards the end of next year.

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

1. Heriot-Watt Statutory Return
The reporting year follows the Government Financial Year of April-March, whereas our Facility Time is allocated on the Heriot-Watt University Financial Year of August-July. The figures on the statutory return reflect a blend of two Heriot-Watt Financial Years.

For the period April 2020 to March 2021	
Trade union representatives and full-time equivalents	No of Employees
Trade union representatives:	14
FTE trade union representatives:	12.0
FTE time allocated across unions:	3.11
Percentage of time spent on facility time	
0%	0
1%-50%	14
51%-99%	0
100%	0
Paid trade union duties	
Hrs	
Hours spent on paid facility time:	4,865.2
Hours spent on paid trade union duties:	4,865.2
Percentage of total paid facility time hours spent on paid TU duties:	100%
Total pay bill and facility time costs	
£	
Total pay bill	99.2m
Total cost of facility time	131.0k



PIONEERING IN EDUCATION

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 continue to offer a distinctive learning experience, enhanced by our global connectivity, and grounded in the needs of a rapidly changing world.

PIONEERING IN EDUCATION: OUTCOMES

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



Strategic Performance Indicators

- Upper quartile for student satisfaction.
- Top decile for graduate outcomes.
- Pioneering a sector-leading global approach to inclusion and wider access.

Responsive Blended Learning

As a university that prides itself on taking a pioneering lead in education, we demonstrated our capacity to respond flexibly and creatively to the challenges faced due to the pandemic. We responded with Responsive Blended Learning, an outstanding approach that developed through 2020/21 and will continue to be part of our pioneering approach to higher education going forward. Responsive Blended Learning combines active, supported online learning with contextually appropriate face-to-face learning opportunities, responding dynamically to the changing external context. This approach enables students to proceed with their studies alongside their peers, whatever pandemic-related restrictions are lifted or imposed in specific contexts. Throughout the pandemic, colleagues also worked together to form global teaching teams, enabling students to benefit from the teaching expertise across all our campuses. This is evolving as Globally Connected Learning in 2021 and into 2022.

Learning and Teaching Strategy

Responsive Blended Learning was a key element of what was the second year of implementation for our Learning and Teaching Strategy. As part of that, we are evaluating Responsive Blended Learning with a view to the institution's future direction in global and digital pedagogy.

The Learning and Teaching Strategy also supported three key priorities for 2020/21. The first was the development and delivery of new online programmes and courses through HW Online – our portfolio of specialist online degree and CPD programmes. The second was the continuation of portfolio modernisation, including the rationalisation and development of new programmes and new routes, including the introduction of new programmes in Sports Science. And the third was a review and University-wide consultation over our academic architecture, including programme design and the structure of the academic year, which will continue into 2022.

In addition to the Learning and Teaching Strategy, we progressed a number of other significant, digital learning and teaching projects within the overall framework. For instance, a new global virtual learning environment called Canvas was implemented. This enhances the ability of teaching staff to deliver course materials, set quizzes and surveys, set and receive assignments, communicate through online discussion, track progress and manage grades. We introduced a new Global Curriculum Management System (to replace the current programme approval system), enabling an integrated approach to curriculum design, programme/course management and business/academic approval processes.

Learning and Teaching Academy

Meanwhile, the Learning and Teaching Academy, which we established in 2019, played a pivotal role in supporting the University's switch to new learning, teaching and assessment practices at pace. The introduction of Responsive Blended Learning was accompanied by the development of tailored resources and training to support the rapid development of practice across all campus locations, and all teaching staff were offered a bespoke two-week training module complemented by tailored support and development sessions.

Furthermore, to support the wider higher education community, all Learning and Teaching Academy resources were produced with Creative Commons licensing allowing them to be used by other universities and teaching staff across the world.

Additional initiatives such as the 'Getting Started in Teaching at Heriot-Watt' programme were launched, and a new Postgraduate Certificate in Teaching and Learning gained Advance HE accreditation.

The Learning and Teaching Academy played a vital role in helping our global teaching community remain connected and inspired during this challenging year. Community events such as Learning and Teaching Week, the New Year Lecture and regular sharing practice events helped to create informal links between teaching teams and space to consider some of the wider opportunities and next steps we may wish to explore in our teaching approach.

Globally Connected Learning & HWU Award

Moving ahead through 2022, we continue to develop our approach to Globally Connected Learning, considering curriculum, teaching and assessment and further developments beyond Responsive Blended Learning. We have also been developing the HWU Award, a major project to recognise and reward students for extra-curricular achievements that are relevant to employability, alumni engagement, volunteering and sustainability.

A Top 30 University

Against the backdrop of all these initiatives, we gained our highest position to date in the Complete University Guide 2022 (23rd in the UK and 4th in Scotland). We also rose to the Top 30 in the Times and Sunday Times 2022 Good University Guide. We also entered the top 30 in the UK's "Times Table of Tables" cementing the overall improvement in student engagement and satisfaction.

EXCELLING IN RESEARCH AND ENTERPRISE

Our research and entrepreneurial approach aims to place us at the forefront of academic endeavour that makes an outstanding impact on society. We continue to address crucial world issues through our interdisciplinary approach and close collaboration with industry and business.

EXCELLING IN RESEARCH AND ENTERPRISE: OUTCOMES

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



Strategic Performance Indicators

- £65m-plus per annum from research grant income by 2025.
- A top 250 place in world university rankings.
- Pioneering a sector-leading global approach to environmental sustainability.

Research Income and Outcomes

Research was a big success story for Heriot-Watt during the financial year, with new grant awards growing from £50m in 2019/20 to £63m in 2020/21.

But every bit as important was the hugely positive impact that our research is making on the world. Our Global Research Impact publication demonstrates this in detail, including numerous innovations from exceptional performance lasers for cancer therapies, to smart monitors for green energy solutions and a ground-breaking irrigation app for global agriculture.

In part, our success in research was driven by our strong alignment with the UK Government's industrial strategy in areas such as net zero, quantum technology, robotics, artificial intelligence, mathematics and green logistics. But it was also driven by building on our traditionally strong links with business and industry, and continues to be strengthened by our commitment to creating six Global Research Institutes (GRI).

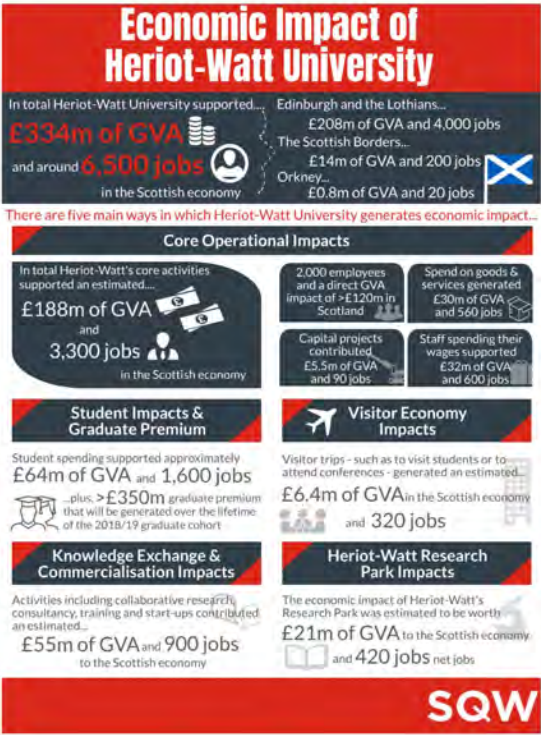
Our first GRI was The Lyell Centre, our research initiative in earth and marine science developed with the British Geological Survey. This was followed by the National Robotarium, one of the five innovation hubs supported through the Edinburgh and South East Scotland Region City Deal. The robotarium, which is a partnership with the University of Edinburgh, will be located in a new purpose-built building on our Research Park, providing a world-leading centre for robotics and artificial intelligence. Further global research institutes are being explored in the areas of net zero carbon, medical technologies and social inclusion..

Industrial Decarbonization Research and Innovation Centre

After winning a £20m award last year against UK-wide competition, Heriot-Watt is leading the UK's Industrial Decarbonization Research and Innovation Centre. The centre is tasked with identifying and researching opportunities to reduce carbon emissions and associated costs, risks and timescales across clusters of energy-intensive industries. Based virtually at Heriot-Watt under the leadership of Professor Mercedes Maroto-Valer, the centre will work with more than 140 partners across industry and business, the Government and regulatory agencies, and world-leading academics.

Economic Impact

The HWU Strategy 2025 Shaping Tomorrow Together sets an ambitious target of doubling the university’s economic impact by 2025. In early 2021, SQW Ltd (**SQW: Economic development and social development**) was commissioned by the University to undertake an economic impact assessment of its contribution to the local and Scottish economies. A key rationale for the study was to provide a robust baseline to allow progress against the 2025 target to be tracked. This baseline is indicated in the graphic below and will be used to measure performance against the Strategy 2025 target. Data for all campus locations is being collated in 2022.



Global Environmental Sustainability Strategy

Within this Strategy 2025 theme, we are also committed to ‘adopting a pioneering approach to global environmental sustainability’. We are committed to taking a global lead on sustainability and are engaged in extensive foundation work towards establishing stronger integrated ESG metrics. The Finance Review on page 38 provides further details on our approach to environmental sustainability. As we look forward into 2021/22, we will be establishing a Net Zero Community Hub as a focal point for driving forwards on our Global Environmental Sustainability Strategy and the ten commitments approved by Court in February 2021. These are as follows:

1. We will inform, empower and support our global community in taking personal and collective action to assist in delivering the Sustainable Development Goals (SDGs).
2. We will commit to achieving net zero carbon emissions by a suitably ambitious date, between 2030 and 2035, depending on the outcome of detailed planning.
3. We will support our signing of the Sustainable Development Goal Accord at an institutional level.
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.
5. We will challenge ourselves, industry and national governments to achieve progress towards the SDGs.
6. We will adopt a strategic environmental assessment (SEA) process.
7. We will map and align our global presence in educational excellence and world-leading research with the UN SDGs.
8. We will create a global research institute in net zero carbon aligned with an international skills academy for ‘green jobs’.
9. We will demonstrate and quantify the potential global impact of the radical innovations in research and policy.
10. We will seek to develop an enterprise accelerator programme to support start-up companies with radical approaches to carbon innovation.

Prospectus for Recovery and Growth

We have also stepped up as an organisation to play a leading role in helping the UK and the wider world bounce back from the pandemic crisis. This mission was influenced by our heritage as the world’s first

Mechanics Institute, established in 1821 to provide inclusive access to the knowledge and skills necessary for emerging industries in a growing economy – all the more apt given that we have been celebrating our bicentennial. We mapped out our vision for how we will help in our Prospectus for Recovery and Future Growth, which offers on-line upskilling and Masters Programmes. Our aim is to create a future that features sustainable green economic recovery at its core, driving innovation, job creation and talent development, and enabling a positive, lasting contribution to the communities in which we operate.

We have also earned headlines for our membership and inauguration of the Centre for Sustainable Cooling and our leadership of the Electric Highways for Trucks initiative, including our adoption of electrical vehicle (EV) and contactless EV charging in our Edinburgh campus vans and our EV car purchase scheme via REFLEX in Orkney.



Upskilling Scotland

We are fully committed to the Upskilling Scotland initiative launched by the Scottish Government and the Scottish Funding Council to tackle skills gaps identified in the Scottish economy, and are supporting around 300 businesses with access to fully-funded Masters-level courses in Digital Leadership, Digital Business Strategy: Platforms and Ecosystems, Operations Management, and Strategies for Managing Supply Chains.

Graduate Apprenticeships

Meanwhile, we continue our leading work in the sector through Graduate Apprenticeships, where students complete their course to the same timetable as traditional degrees, but with the majority of activity and assessment based on tasks carried out in the workplace. The scheme helps businesses by developing the full potential of their employees, and the apprenticeship courses are tailored to the specific needs of the organisation. Highly practical, they are 20% study and 80% business. 34 of our apprenticeship students graduated in 2020/21, with almost half of them achieving first-class degrees and, as with all of our courses, we successfully adapted to the restrictions of the pandemic crisis.

Research Park

Following the company's initial announcement in July 2020, Celestia UK has settled into its permanent home at the Heriot-Watt University Research Park, specialising in state-of-the-art antenna systems for tracking satellites and creating new jobs. In 2021/22, we will be looking to further develop the park to attract more organisations and provide space for companies with similar high-growth potential. Planning permission has already been granted for a brewery on the site.

ADVANCING AS A GLOBALLY CONNECTED UNIVERSITY

Heriot-Watt is a multinational organisation and our strategy is designed to enable connected and integrated working across our five campuses and growing international communities. Through this theme, the focus is on initiatives that increase access and inclusion, such as the development of the Global Foundation College and the HW Online range of programmes, and those that increase efficiency and effectiveness through digital transformation and organisational effectiveness. Partnership and collaboration, underpinned by our institutional values, are central to the approach.

GLOBALLY CONNECTED: OUTCOMES

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

Strategic Performance Indicators

- Income scale and growth of more than £350m.
- Operating surplus greater than 4% per annum.
- Annual resource efficiency of £150,000.

Online learning

In many ways, the pandemic crisis strengthened our multi-national community, bringing us even closer together. From Orkney, the Borders and Edinburgh to Malaysia and Dubai, teaching staff pooled their expertise, allowing students at other campuses to benefit from online sessions as part of the transition to Responsive Blended Learning. Our new Virtual Learning Environment (Canvas) supports students globally and enables our teachers to deliver even better lessons. And our comprehensive approach to online communications and the increased visibility of senior leaders kept everyone up to date with developments across all our locations.

Global Operations Executive

We also strengthened our executive management and the co-ordination and integration of our five campuses creating a Global Operations Executive that reports to the University Executive, bringing together leaders from our schools and directorates across the world.

Financially Sustainability

As part of the new planning framework (AP2.0), budget holders were encouraged to investigate with their teams and

colleagues across the University to propose investments in initiatives aligned to the strategic themes and driving toward achievement of the Strategic Performance Indicators, part of which is to ensure financial sustainability for the University for many years to come. Having five campuses helps to diversify our offering, as does the growth we have experienced in online delivery, especially the Edinburgh Business School distance learning MBA. We are further diversifying our online provision into other subject areas.

Over our 200 years we have successfully engaged with businesses to educate, consult and undertake research. This has given us a strong platform to grow still further as government policy has moved to encourage greater levels of upskilling and technology ready research.



Financial sustainability is not just about growing levels of income. We are investing in our digital infrastructure to ensure systems are joined up to allow for efficient and effective ways of working, also delivering student centric services and teaching. In the pandemic we have increased the level of cross campus, global learning and teaching to ensure we brings examples from across the globe to the classroom as well as global student team working.

Growth, diversification and efficient and effective ways of working are helping to ensure we mitigate risks as seen through the pandemic and so drive our long term financial sustainability.

Global Foundation College

In Malaysia, the shift to an online foundation programme delivery mode during lockdown enabled students to progress their studies and helped sustain student numbers. This was further supported by reaching out to schools, students and parents to demonstrate the value of personal purpose and the holistic education provided by Heriot-Watt, helping students to become truly 'future ready'. As a result, student recruitment for our outstanding team in Malaysia, with its purpose-built lakeside campus, remains buoyant as we emerge from lockdown. The University's vision for a Global Foundation College, building on the strengths of existing foundation level provision in both Dubai and Malaysia, has been further developed during 2020/21 and a business case for an integrated foundation college model will be brought forward for approval by the end of 2021. This is a major strategic project that is expected to deliver significant growth, with new Foundation and Pre-Masters programmes to be launched in 2022 in Scotland.

Diversification of Markets

Demonstrating our further ambitions and intention to diversify recruitment markets, we invested in a new India office and partnership to develop the Indian student market in response to the new visa window offered by the UK government. This has diversified the University's primary markets, reducing dependence on the China market, and providing significant growth in international student numbers.

Dubai's New World-Class Campus

A major development for us in 2021 was the opening of our new world-class campus at Dubai Knowledge Park. The project to establish new premises in Dubai Knowledge Park, located close to modern business and industry. The development of our own professional services team in Dubai has been supported by strong staff engagement and excellent student recruitment in September 2021. Completing this project and the successful transition from an interim campus was a significant achievement against the backdrop of turbulence that the world has experienced in the past two years. This dedicated campus has capacity for 4,000 students, typically representing 105 nationalities, who have joined Heriot-Watt seeking research-informed, industry-focused British education of the highest standard in the UAE.

Teaching rooms with flexible spaces have been designed to be interactive, encouraging collaboration and group learning. The laboratories and workshops provide outstanding automotive, chemical, civil, mechanical, electrical, energy, robotic, structural engineering, IT and psychology facilities. And the design studios and hub support students preparing for a career in fashion, architecture and interior design.

Of course, Dubai also embraces Heriot-Watt's close relationships with the digital business world. The new campus features the Watt Inc., a business incubator run by the Edinburgh Business School, and the new Centre of Excellence in Design Construction, forged with strong industrial collaborations and UAE Ministerial level endorsement.

We are also playing a prominent role in the Dubai Expo through our sponsorship and partnership with the UK Pavillion, which opened in October and runs through to the end of March 2022.

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 plans as we adapt to a changing environment.

Our achievements are represented by strategic performance indicators (SPIs) and the table below illustrates how these align with our Strategy 2025 themes. Our Strategy 2025 website further details our SPIs and the progress made to achieve them.

STRATEGY 2025 SPIS [2025 TARGETS SHOWN IN SQUARE BRACKETS]



Staff satisfaction: 72% (up 2%)
Target by 2025: 80%

The Staff Survey results for 2020/2021 have improved despite challenges driven by the global pandemic. The underlying results show a need to focus on the Academic community. Results were published promptly and widely, and subsequent action plans are being created by all units of the university. The staff survey will be underpinned by pulse surveys to be run at appropriate points during the year.



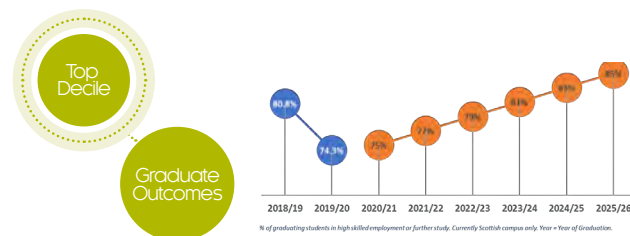
Global Economic Impact: Target by 2025:
To double the economic impact

The baseline report for Economic Impact has been received and will form the strategy to deliver on the target of doubling global Economic Impact by 2025.



Student satisfaction: current proxy NSS score, 79.3% (down from 84.4%) but position raised to 28th in the UK (up 17), 8th in Scotland (up 4 places).
Target by 2025: Upper Quartile

The methodology for this SPI was finalised this year, ensuring a global approach to measuring Student Satisfaction by blending the results from all student experience surveys across the global footprint and for all levels of student study. At a global level, Student Satisfaction was impacted in 19/20 and 20/21 by the pandemic however Heriot-Watt remains a sector leader for student satisfaction despite this impact.



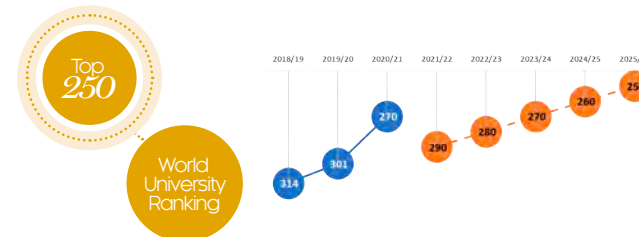
Graduate outcomes: 81%
Target by 2025: Top Decile

As with Student Satisfaction, the onward destinations of our graduating students were adversely impacted by the global pandemic, however this is in line with the rest of the sector and Heriot-Watt remains a sector leader.



Inclusion and widening access: Methodology agreed and implemented in 2021

Target by 2025: Pioneer a Sector Leading Approach
The methodology for measuring global inclusion and wider access has been finalised and uses global data such as disadvantage markers, women studying in STEM subjects, mature undergraduate students, Foundation students and Graduate Apprentices to measure the inclusionary approach to education that Heriot-Watt holds at its heart. This metric will expand in future years to include other vital interventions and assistance that help our students access education.

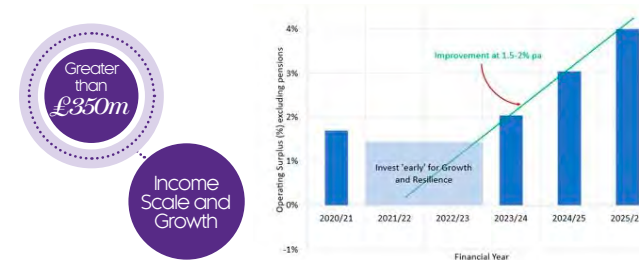
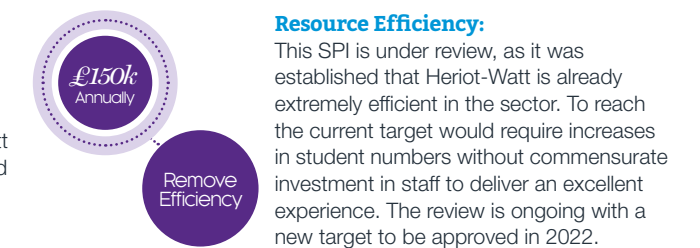


World University Ranking: 270 (up 31)
Target by 2025: Top 250

In the QS World Ranking, Heriot-Watt climbed 31 places to 270th in the world. This was driven by continued improvement in the citations per faculty metric. This is closing in on the strategic aim to be in the world top 250.



Research Grant Income won: £63m (up £14M)
Target by 2025: Greater than £65m Annually



Operating Surplus: (excluding pension provision movement)
Target by 2025: Greater than 4% Annually



Income Scale and Growth
Target by 2025: Greater than £350m
The income scale and growth is forecasted to grow significantly to 2025 but impacted by the significant impact of Covid on accommodation income and other streams.



OUTCOME AGREEMENT

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



Outcome Agreements covering one academic year reflecting the need for agility in addressing the impact of the pandemic across the University.

The University continues to welcome this opportunity to demonstrate alignment of its activities with Scottish Government priorities. The Agreements negotiated between the University and the Scottish Funding Council have responded constructively to the 'intensification' agenda (to drive more ambitious target-setting and accelerated delivery of priority objectives) and seek to advance our positive approach to delivering the well-aligned objectives of the University's Strategy 2025 and the Scottish Government in education, research and innovation, whilst addressing the immediate response to the pandemic.

CORPORATE GOVERNANCE STATEMENT



INTRODUCTION

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

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

According to the University Charter, subject to the terms of the Charter and the Statutes and to the powers reserved to the Court, the Court delegates to the Senate all of its powers in relation to academic work and standards. The Senate is therefore the executive body responsible for the academic work and standards of the University. The supporting Ordinances to the Charter and Statutes further clarify the responsibilities delegated by the Court to the Chair of Court, the Principal, and the Secretary of the University. Members of the Court are the charity trustees, as defined by the Charities and Trustee Investment (Scotland) Act 2005 and, as such, are bound by the duties and responsibilities set out in that Act.

GOVERNING BODY

Responsibilities and delegated authority

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

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

The **Court Statement of Primary Responsibilities** sets out clearly the responsibilities of the Court, aligned to guidance provided in the **Scottish Code of Good Higher Education Governance**. The Court has established a Code of Conduct for Members included in Standing Orders which govern the way in which the Court conducts its business, and has established similar Standing Orders for Court committees. These are reviewed annually.

The Charter prescribes that the Court may delegate powers to other bodies as it may determine from time to time. The agreed delegations are set out in the **schedule of delegation**. The Charter, in article 7, stipulates the responsibilities which cannot be delegated by the Court to any other body.

In discharging its responsibilities, the Court met ten times during the year 2020/2021, including at two 'Strategy Discussion Days'. All meetings were held online. The first Strategy Discussion Day in the year, held in December 2020, focused on Delivering Strategy 2025: Driving Performance and the plans for the Bicentennial Anniversary celebration and appeal.

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 2021 meeting focussed on business sustainability including the Strategic Risk Landscape, 3 Year Financial Plan and the Annual Planning Process (AP2.0).

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 online for the first time on 17 June 2021. The event was attended by around 240 people and reached a much larger audience through dissemination online and through the University's social media channels. Content was focussed on Strategy 2025 and the theme, Our Past Your Future. As the content was pre-recorded, we were able to cover a wide range of material and inputs. The whole event was supported with British Sign Language translation. The purpose of the meeting was to engage with stakeholders to report on the University's performance in the past year, highlighting successes and challenges. Our intention was to create a sense of pride and belonging across the global community of University staff and students, our partners, stakeholders and alumni.

In accordance with its constitutional responsibilities, the Court has been involved in the progression of a number of senior appointments in the University in the reporting year, some of which commenced in the preceding year: Chancellor of the University, Pro-Chancellors (Dubai and Malaysia) and the University Secretary.

Court membership

The Court comprises twenty-five members including the Chair, who is one of the fourteen independent lay members of the Court who form the membership majority. Nine are elected or nominated to the membership from different constituencies, 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 29. While a governing body membership of twenty-five members is at the upper limit of good governance practice, according to earlier Scottish Code of Good Higher Education Governance advice, this number of Court members ensures that there are a sufficient number of individuals with a collective broad base of skills and experience available to support the work of the Court and all of its standing committees. The University's constitutional rules require that each standing committee of the Court shall include in its membership at least three members of the Court.

With effect from 31st July 2021, Mr Grant Innes unfortunately had to resign from his position as Chair of Court for personal reasons. The Court and the wider University have recorded deep gratitude to Grant Innes for his leadership as Court Chair and a Court member, as well as for his long-term commitment and contributions to the University. The Court, at its meeting of the 28th June 2021, noted that in accordance with Statute 4 and Ordinance B10, the current Deputy Chair of Court, Ms Morag McNeill, would hold office in lieu of the Chair of Court and with all the powers of the Chair of Court from 1 August 2021 until such time as the new Chair of Court would take up office, expected to be summer/autumn 2022 The Court recognised the importance of the role of the Deputy Chair, including their support of the Chair, their role as Intermediary, and chairing the Selection Committee for the Chair of Court. The Court therefore approved by Ordinary Resolution and that an Acting Deputy Chair of Court could be appointed for the period that the Deputy Chair would be fulfilling the role of the Chair of Court. Following an approved selection process Ms Marta Phillips OBE was appointed as Acting Deputy Chair of Court on 9th November 2021.

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

In addition to the Principal and Vice-Principal, who are members of Court, regular further attendees at meetings of the Court include the Secretary of the University (who is Clerk

to the Court), the Director of Governance and Legal Services, the Global Chief Financial Officer, the Provosts of the Dubai and Malaysia Campuses, staff members in Deputy Principal roles and the Chair of the Edinburgh Business School Advisory Board. This ensures that relevant additional advice and expertise is readily available to the Court when required during meetings. As and when particular agenda items require input of specific knowledge or expertise to add value to the discussion and the decision-making process, other members of the executive management team have been invited to attend part of an ordinary meeting of the Court to contribute to the discussion on that item of business. During 2020/21, all non-Court members of the University Executive, together with co-opted independent lay members of each of the Court's standing committees, were invited to attend Strategy Day meetings of the Court as full participants at those meetings.

The Court and the Senate are committed to holding a joint meeting at least once per year. In May 2021 the joint meeting focused on 'Inspiring Learning and Learner Journeys'. This included presentations and discussion of the Post-Covid Education Environment, Shaping and delivering a distinctive and market aligned course and programme portfolio and the Review of Academic Architecture.

Equality and Diversity

The Court continues to encourage diversity in its membership, whether this be through independent lay member appointments or by encouraging a full diversity of individuals to stand for election in the elected positions. In the reporting year, 35% of the independent lay members of the Court were female. The proportion of female members across the independent lay membership of the standing Committees of Court in 20/21 were as follows: Audit & Risk 43%, Finance 25%, Global Student Liaison 25%, Governance & Nominations 40%, Remuneration 60%, and Staff 60%. The Court receives an annual report on the gender diversity of Court and Court committee memberships.

In 2019 the Court approved an Equality and Diversity Strategy Statement for inclusion in the **Court and Court Committee Membership Policy**. The **Strategy Statement** augments the equality and diversity statement which describes the University's approach to equality and diversity and social responsibility.

In the reporting year, an advisory report was received from the Internal Auditors which makes some recommendations for enhancing the collection of Equality Data and this will be implemented going forward.

Members of Court and Attendance

The following persons served as members of Court during the year from 1 August 2020 to 31 July 2021 and up to the date of approval of these financial statements (February 2022).

		Court meetings attended in 2020-2021
Chair of Court	Mr Grant Innes (until 31 July 2021)	8/9*
Chair of Court	Ms Morag McNeill (Deputy Chair of Court until 31 July 2021, in Chair of Court role from 1 August 2021)	9/10
Acting Deputy Chair of Court	Ms Marta Phillips (from 9 November 2021)	10/10
Principal & Vice-Chancellor	Professor Richard A. Williams	10/10
Vice-Principal	Professor Mark Biggs (from 1 August 2021)	10/10
Senate	Professor Scott Arthur (from 26 January 2021)	6/6*
	Dr Fadi Ghaith (until 31 December 2020, then from 31 July 2021)	4/5*
	Dr Amos Haniff (until 31 July 2021)	7/9*
	Dr Bill Macpherson (from 31 July 2021)	1/1*
	Dr Paul Hopkinson (until 31 July 2021)	9/9*
Trade Union	Professor David Cobham (until 5 July 2021)	8/9*
	Mr Jürgen Munz	10/10
Staff	Professor Marc Desmulliez (from 1 August 2020)	9/10
	Chris Pirie (From 31 July 2021)	1/1*
	Ms Dawn Skidmore (until 18 January 2021)	4/5*
Graduate	Mr Brain Henderson (from 1 August 2020)	9/10
Student Union	Ms Hannah Copeland (VP Education) (from 1 June 2021)	2/2*
	Ms Emily Lucy King (Student President)	8/10
	Ms Lara Stroudinsky (VP Welfare) (until 31 May 2021)	7/8*
Independent Lay Members	Dr Richard Armour	10/10
	Ms Tracey Ashworth-Davies (Until 31 July 2021)	5/9 *
	Mr Graeme Dickson	10/10
	Mr Steve Heathcote	10/10
	Mr Gary Kildare	0/1*
	Mr Paul Lewis	1/1*
	Mr Cameron Millar	10/10
	Ms Marta Phillips	10/10
	Mr Alan Robertson	10/10
	Ms Jandy Stevenson (Until 31 July 2021)	8/9*
	Mr Mike Tumilty	9/10
	Mr Graham Watson	10/10
	Ms Dorothy Wright (from 22 December 2020)	6/6*

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

Effectiveness of the Court and the Senate

In 2018 the University commissioned the Good Governance Institute to conduct a joint review of the effectiveness of the Court and the Senate. This arrangement was in compliance with the Scottish Code of Good Higher Education Governance, which requires that externally facilitated reviews of the Court and the Senate be undertaken at least every five years. **A summary report of the outcomes** of that review was published and an action plan was developed in response to the recommendations which emerged. This continues to guide ongoing improvements to effectiveness.

For the 2020/21 Court Effectiveness review, a detailed review and mapping of existing actions from the Court Effectiveness Review Rolling Action Plan was undertaken. This work was carried out by a Court Effectiveness Group comprising the University Secretary with the Head of Corporate Governance, the Chair and Deputy Chair of Court. Court members were invited to feedback on a draft Court Plan which was then approved by the Court at its meeting on 4 February 2021. The Plan was set out in sections including: Culture – Equality Diversity and Inclusion, Communications and Engagement, Court Induction and Development, Strategy Days, Joint Meeting Between Court and Senate, Lead Governor Scheme, Secretariat Support to Court and Committees, Agenda Management and Reporting, Business Cases and Performance Reporting/ Management.

Some of the key actions taken include a full review of delegation from the Court to its committees to reduce duplication of effort and ensure greater time for strategic discussion at Court meetings. In addition, the Court Induction programme in autumn 2021 was redesigned to focus on key questions that Court members would need answers to in order to undertake their roles effectively, with further development opportunities offered throughout the year. At present, there are plans for an Equality, Diversity and Inclusion workshop with Court members in Spring 2022, which will use resources from The Higher Education Board Diversity and Inclusion Toolkit as a first step in considering required changes to culture and practises. The annual (interim) Effectiveness Review of the Senate was delayed due to Covid 19 and took place via a survey questionnaire which was open for contributions from 15 December 2020 to 11 January 2021. Twenty-seven responses were received, a response rate of 35%. Following the review, the Senate concluded and reported to the Court that it was content that it is effective in fulfilling its remit. Actions were identified and taken forward to encourage Senators submit topics for inclusion on the Senate agenda; to explore options for encouraging broader participation; to carry out online induction events to refresh on the role and responsibilities of Senators and to conduct a joint meeting of the Court and Senate. A number of other questions of academic governance were flagged that will be tested during the next external review in 2023.

Induction and development opportunities for members

An enhanced online induction programme provides support to all incoming new members of the Court and its standing committees each year. Current members may use this opportunity to refresh their knowledge and members who reach the end of a period of appointment must re-attend Court induction at any renewal point. Opportunities are taken throughout the year to increase members' knowledge and understanding of the University's work and the governance and policy environment in which it operates.

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

Committees of the Court

The standing committees of the Court assist the Court in discharging its responsibilities in the governance oversight of the broad areas of human resources; senior staff remuneration; estate and IT infrastructure; finance and asset management; risk, systems of internal control and audit, student representation and engagement, and effective governance. The Terms of Reference of committees of the Court are approved by the Court, ensuring that there remains clarity around the delegated powers and lines of responsibility between the Court and its committees. The membership of the Committees of Court is listed on page 32. The standing committees of the Court are described below.

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

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

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

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

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

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

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

The full terms of reference of each Court committee can be accessed via the following webpage. 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: <https://www.hw.ac.uk/services/secretariat/university-committees-a-z.htm>

In addition to membership of Court committees and short life committees, the expertise and external perspectives of independent lay members of the Court are utilised through the invited involvement of such members in major organisational change projects. In addition, in 2019, the Court agreed to implement a 'Lead Governor Scheme' pairing up School and Campus Heads with independent lay members of the Court, to promote a crossflow of ideas, and to enhance Court members' understanding of the academic work of the University. The operation of this Scheme was considered as part of the interim Court Effectiveness Review.

Membership of Committees of Court and Attendance

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

AUDIT AND RISK COMMITTEE		Attendance at Meetings
Independent Lay members of Court	Ms Jandy Stevenson (Chair)	5/5
	Mr Mike Tumilty	5/5
	Dr Richard Armour	5/5
	Mr Graeme Dickson	5/5
	Ms Morag McNeill	5/5
Co-opted Members	Mr Roger Murray Ms Suzanne Wilson	5/5 5/5
COURT INTERIM BUSINESS COMMITTEE	Most business conducted by correspondence	Committee meets when required
Independent Lay members of Court	Mr Grant Innes	3/3
	Ms Tracey Ashworth-Davies	2/3
	Mr Morag McNeill	3/3
	Mr Alan Robertson	3/3
	Ms Jandy Stevenson	3/3
Staff	Professor Marc Desmulliez	3/3
	Dr Paul Hopkinson	3/3
Ex Officio	Professor Mark Biggs Professor Richard A. Williams	3/3 2/3
FINANCE COMMITTEE		Attendance at Meetings
Independent Lay members of Court	Mr Graham Watson (Chair)	6/6
	Mr Grant Innes	5/6
	Mr Steve Heathcote	6/6
	Mr Cameron Millar	6/6
	Ms Marta Phillips	6/6
Co-opted Members	Mr Gerard Cassels	6/6
	Ms Judith Cruickshank	5/6
Staff	Dr Paul Hopkinson	5/6
Ex Officio	Professor Mark Biggs Professor Richard A. Williams	6/6 6/6
GLOBAL STUDENT LIFE COMMITTEE		Attendance at Meetings
Independent Lay members of Court	Ms Marta Phillips (Chair)	3/3
	Mr Grant Innes	3/3
	Dr Brian Henderson	2/2*
	(from 25 September 2020)	
Co-opted Member	Mr Liam Burns	2/3
Students	Mr Soehl Abraham	2/3
	Mr Carlos Augustine Lim Zhen Yang	2/3
	Ms Elizabeth Lau	3/3
	Ms Emily Lucy King	3/3
	Ms Lara Stroudinsky	3/3
	(Until 1 June 2021)	
	Ms Amber Taylor	3/3
	Ms Hannah Copeland	N/A
	(from 1 June 2021)	
	Mr Sai Vishnu Majji Ganeswara Rao	N/A
	(from 1 June 2021)	
	Mr Syed Uzair	N/A
	(from 1 June 2021)	
Ex Officio	Professor Richard A. Williams	2/3

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

Independence

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

Reporting of Interests

The Group has taken the necessary steps to ensure compliance with Financial Reporting Standard 102’s provisions on Related Party transactions. Any interests which, under this accounting standard, would require to be disclosed by members of the Court would be so disclosed, with appropriate recording in the Court minutes. The University’s Ethical Business: Conflict of Interest Policy applies to all members of the Court and its committees. The accompanying register of Court members’ interests is updated annually and published on the [University’s website](#).

Risk Management

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

Principal risks and uncertainties

The challenges and uncertainties posed by the Covid-19 pandemic have presented a significant risk to the University’s operations and the achievement of its strategic objectives throughout the period and there remains significant uncertainty at this time. The continuing impacts and uncertainty caused by the pandemic and economic context can be felt across a number of the significant risk areas highlighted below.

Financial risks: The University continues to face significant risks and uncertainties in meeting the ambitious targets set for its main income streams, as the recovery from the pandemic continues. Future growth in student recruitment may be impacted by uncertainty in the global economic recovery from the pandemic. Future student recruitment also requires strategic management to avoid over-reliance on a small number of key markets. Research income growth has been strong, but uncertainty remains over continued

access to EU research funding schemes post BREXIT. There also continues to be significant risk and uncertainty in the University’s future cost base from the potential growth in employment costs associated with the University’s exposure to defined benefit pension schemes, particularly the Universities Superannuation Scheme (USS), and on future pay awards.

Student learning and experience risks: The student experience and student wellbeing continues to be impacted due to the ongoing restrictions in place across all campuses which limit personal interactions to varying degrees. The University continues to maximise the on-campus learning experience for students to the extent guidelines permit, whilst maintaining a focus on the safety and wellbeing of students and staff. The University has sought to improve the students’ learning experience through its investment in improved on campus and digital infrastructure as can be evidenced from the opening of the new Dubai Campus in April 2021 and the investment in the new Virtual Learning Environment to support remote learning.

Staff risks: There continues to be significant risk to staff engagement and wellbeing caused by the ongoing pandemic and other factors. There are challenges caused ongoing working restrictions imposed during the pandemic and anxieties around returning to working on-campus. In addition, the impact of ongoing pay award disputes, as well as uncertainty over potential pension contribution changes continues to elevate the risk to staff satisfaction, engagement and wellbeing. Individual conversations continue to take place between line managers and staff, as well as regular communications and engagement between the University Executive and staff . There is also a regular programme of engagement between the University and recognised Trade Unions in the UK. An additional risk has been identified in relation to staff recruitment and retention at all campuses. The University has identified actions to respond to this risk and is working through them under the leadership of the Global Director of HR.

Research agenda risks: The University has set itself a very ambitious target within Strategy 2025 for the growth of its research activities. There are a number of factors which continue to impact on the achievement of the research objectives. The pandemic has not significantly impacted on the ability of the University to win research funding contracts although it slowed the pace of research due to restrictions in force. The impact of BREXIT and the commitment of the UK Government to develop equivalent long-term funding schemes to replace EU research funding remains uncertain. Attracting and retaining globally talented research leaders also remains a challenge in the HE sector which is competitive.



Cyber and Information Risks: Like many other organisations as a result of the pandemic, the university has increased its reliance on its IT, digital assets and associated infrastructure. This will continue in order to support continued hybrid learning and working. The UK Higher Education sector has been subject to a number of high profile cyber and ransomware attacks in the last year and this threat continues to be significant. The University continues to invest significant resources to improve its cyber resilience, monitoring and response processes and continuously monitors developments in this area.

Sustainability risks: The University faces significant risks to the achievement of its sustainability agenda, both in relation to the achievement of its institutional net zero targets, and to the achievement of its global sustainability research and engagement agenda. The University has recently appointed Professor Maroto-Valer to the new executive post of Deputy Principal (Global Sustainability). Professor Maroto-Valer will work with Professor Steve McLaughlin, recently appointed to the post of Deputy Principal (Research and Innovation), to develop detailed strategic risks and response plans for this agenda.

Risk Management Improvement Plan

A Risk Management Improvement Plan was developed in October 2020 as a response to the Internal Audit opinion in 2019/20, and to improve the Risk Management Framework and approach. The following components of the plan have been implemented:

- Ensuring University Executive oversight of the actions taken to remediate audit findings, and re-aligning the Risk Management Framework with the revised University Executive structure.
- Improving engagement with the Internal Audit process to ensure that the purpose and outcomes of internal audit processes are better understood by business areas being audited, and to ensure timely remediation of audit findings identified.
- Implementation of a Risk Management System across the University to improve the efficiency and effectiveness of the identification, management and reporting of operational and strategic risks.
- Identification and development of a community of risk management professionals from across the University to improve the engagement with the Risk Management Framework. Around 25 Risk Champions have been identified from across the institution and have undertaken risk management training. Members of this group act as leads for the risk management agenda in the relevant parts of the business.

The remaining elements of the Plan remain in progress for completion:

- Review and revision of the Risk Management Framework, including Risk Appetite Statement and Risk Policy, to take account of the improvements identified.
- Development of a Business Assurance Framework to provide additional assurance over the effectiveness of controls in place. (Longer-term action dependent on investment funding)

The Risk and Control Framework

The University has an established risk management policy, strategy and framework to effectively identify, assess, record, manage and report risks as set out below.

Governance and Oversight

The University Executive meets on a quarterly basis to oversee the effective operation of the risk management policy, strategy and framework. The Executive considers reports on strategic, operational and project risks, along with relevant internal audit reports and reports on remediation of audit issues. The outputs of those meetings are reported to the Audit and Risk Committee who provide oversight and governance of risk, and reports to the University Court.

Responsibilities

The Assurance Services team oversees the effective application of risk management across the University and co-ordinates risk reporting to the relevant governance bodies. It also provides guidance and training on risk management to colleagues across the University. Responsibility for risk management has been allocated across the senior management team, and operational risk registers are maintained across all parts of the Group. The University's Project Management policy requires that all significant projects maintain a project risk register to ensure that all risks relating to change projects are effectively identified, managed and reported. Internal Audit carries out an annual plan of audit reviews, which is focused on the key risks in the achievement of the University's strategic plan. Findings from their work are followed up and remedial actions taken. On an annual basis, the Internal Auditors provide a report on the effectiveness of operation of the risk management framework based on the work they have performed.

Strategic Risk

A Strategic Risk Register is maintained containing the significant risks affecting the University's ability to achieve its strategic objectives. Strategic risks, escalated risks from the operational risk registers, and summary strategic project risks, are reviewed by the University Executive a minimum of four times per year, before being presented to the Audit and Risk Committee, and annually to the University Court.

Covid-19 Risk

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

Risk Appetite

A risk appetite statement is in place and is reviewed periodically to summarise the University's appetite for risk across different risk categories. Significant work was undertaken to review and update the University's Risk Appetite Statement in order to align the risk appetite statement with Strategy 2025, the University's strategy.

INTERNAL CONTROLS

The Purpose of the System of Internal Control

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives. It can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks, including information risks, to achieving strategic and operational aims and objectives; to evaluate the likelihood of those risks being realised and the impact should they be realised; and to manage them efficiently, effectively and economically. The wider system of internal control is based on an ongoing process designed to identify the principal risks to achieving the University's policies, aims and objectives; to evaluate the nature and extent of those risks; and to manage them efficiently, effectively, and economically. The system of internal control has been in place in the University for the year ended 31 July 2021, and up to the date of approval of the annual report and accounts.

Review of effectiveness of the internal control system

The University's internal audit service throughout the reporting period was provided by RSM Risk Assurance Services LLP. The Internal Auditor reports directly to the University Secretary on the system of internal control. Internal Audit ultimately exists to support the University in achieving its objectives and is one of the key sources of assurance on which the Audit and Risk Committee and the University Secretary rely. In order to discharge its responsibilities effectively, Internal Audit develops an audit strategy and plan which outlines its programme of work. The audit plan takes into consideration the entire governance framework and the other assurance mechanisms and processes which include the risk management processes developed and maintained by University management.

It is the responsibility of the University Executive to:

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

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

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

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

The Internal Auditor issues an annual internal audit opinion which is based upon and limited to the work performed, on the overall adequacy and effectiveness of the University's risk management, control, governance and economy, efficiency, and effectiveness processes. For the year ended 31 July 2021 the Internal Auditor has concluded, based on the internal audit work performed, that: "The organisation has an adequate 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."

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

- HR Enterprise Resource Planning Implementation
- Data Quality Framework – Student Records
- Procurement Cards and Corporate Cards
- Dubai Finance – Key Financial Controls
- Governance Framework for Enterprise Resource Planning Implementation
- Voluntary Redundancy and Severance – Process Review
- Framework for Fundraising

High priority audit findings were only identified in respect of one internal audit: Dubai Finance – Key Financial Controls. These reflect that the teams have been built and the systems evolved through 2021. Three high priority findings were noted as follows:

- Improvements required to the processes for review and approval of suppliers' standing data;
- Development of a local fixed asset register; and
- Monthly reconciliation of control accounts within the financial ledger.

The External Auditor also reports to the Global Chief Financial Officer, the University Executive, and the Audit and Risk Committee on any internal control issues that they identify during their audit activities. During the audit of the 2019/20 financial statements, management and the External Auditor identified several internal control weaknesses. Some of these weaknesses resulted in the identification of prior year errors. An improvement action plan was agreed and significant progress has been made. Progress against the action plan has been monitored by the University Executive and by the committees of Court and validated by the External Auditor. At February 2022, six of the 21 actions remain in progress, with the remainder actioned in full. The implementation of the new ERP system in August 2021 impacted and delayed the implementation of the six outstanding actions.

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

- the comprehensive management information received by the University Executive on all of the University's operational activities;
- the controls that exist over planned expenditure and the regular reporting of actual expenditure and regular review of budgets and forecasts;
- the University Executive and managers across the University who are responsible for developing and maintaining the internal control framework;
- the work of the Internal Auditor, which submits regular reports to the Audit and Risk Committee that include the independent and objective opinion on the adequacy and effectiveness of the University's systems of internal control,

together with recommendations for improvement; and

- comments made by the External Auditor in its management letter and other reports issued in the course of their work.

Responsibilities of the University Court in relation to the accounts

The Court is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Group and enable it to ensure that the financial statements are prepared in accordance with the University's governing instruments, the Statement of Recommended Practice (SORP): Accounting for Further and Higher Education, Accounts Directions from Scottish Funding Council (SFC) and other relevant accounting standards. In addition, within the terms and conditions of a Financial Memorandum agreed between the SFC and the Court of the University, the Court, through its designated office holder, is required to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Group and of the surplus or deficit and cash flows for that year.

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

- they are prepared on a going concern basis in that the Court is satisfied that the Group has adequate resources to continue in operation for the foreseeable future;
- suitable accounting policies are selected and applied consistently;
- judgements and estimates are made that are reasonable and prudent; and
- applicable accounting standards are followed, subject to any material departures being disclosed and explained in the Accounts.

The Court has taken reasonable steps to:

- ensure that funds from SFC are used only for the purposes for which they have been given and in accordance with the Financial Memorandum and any other conditions which the Funding Council may from time to time prescribe. Under the terms of the Financial Memorandum the designated officer, who is required to ensure such compliance, is the Principal and Vice-Chancellor;
- ensure that there are appropriate financial and other internal controls in place to safeguard public funds and funds from other sources and ensure value for money is achieved in the application of those funds. This system of internal control is continuously reviewed and developed in line with current best practice;
- safeguard the assets of the Group and prevent and detect fraud;
- secure the economical, efficient and effective management of the Group's resources and expenditure;
- ensure that the Group's Executive has an adequate system of internal control, and regularly monitors and reviews its effectiveness. Such a system is designed to manage

rather than eliminate the risk of failure to achieve business objectives and can only provide reasonable and not absolute assurance against material misstatement or loss; and

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

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

The Scottish Code of Good Higher Education Governance 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.

The Scottish Code of Good Higher Education Governance

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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 6-25. Its financial performance for the year to 31 July 2021 is described in the Financial Review on pages 38-45; and the income and expenditure, assets, liquidity and cash flows are disclosed in more detail in the Financial Statements on pages 49-52; Accounting Policies on pages 53-60; in the Notes to the Financial Statements on pages 61-84. With current forecasts and projections that show it to be well placed to manage its activities successfully having taken account of risk and uncertainty, the University Court considers that the University has adequate resources to continue in operation for the foreseeable future and for this reason, it continues to adopt the going concern basis of accounting in preparing the annual financial statements.

Professor Richard A. Williams
Principal and Vice Chancellor
Date: 28 February 2022

Ms Morag McNeill
Chair of Court
Date: 28 February 2022

FINANCIAL REVIEW



FINANCIAL STRATEGY

Strategy 2025 launched in 2018/19 placed an emphasis on renewed income growth, with a goal to grow income from the £228m to £350m pa by 2025/26 but not at the expense of margin with a target to achieve an operating surplus margin of 4%. In 2019/20 income reduced due to the impact of Covid, in 2020/21 whilst still dealing with the effects of Covid, income has improved to £235m which is getting close to the pre-pandemic level. The impact on accommodation and catering income remains a challenge. The University Executive in December 2021 re-affirmed the income and margin targets to 2025/26. Progress towards achieving the target is associated with focussed student recruitment and demand-led changes to the portfolio of taught programmes at undergraduate and postgraduate levels. The expansion of the Heriot-Watt Online and development of Foundation level provision are priorities for driving income. The results in 2020/21 record an improvement in the income from the taught provision as we progress in line with this strategy.

Research Grant Income too, is planned to grow to £65m by 2025/26. This will be fuelled by a major expansion in our capacity and reputation through the creation of up to six Global Research Institutes building on areas of existing excellence and our aim to become internationally leading. Working with funders, businesses and other leading research organisations, we will co-create research propositions that place us at the forefront of intellectual discovery, connected with our international research communities across our locations and with our network of leading research partners. We are in the process of constructing the National Robotarium on the Edinburgh Campus to house one of these Institutes based around artificial intelligence and robotics. The other Institute is the Lyell Centre which houses a collaboration between the British Geological Survey and Heriot-Watt University, building on our individual and combined expertise in land and marine conservation, geology and geoscience. We are in discussions to create two further Institutes in 2021/22.

Our ambition for continued growth recognises the need for a physical environment that can accommodate the planned for growth in student numbers; of providing the quality of research environment that is consistent with our ambitions for research growth and intensification; and meeting the expectations and needs of students and staff going forward.

Investment in the University's estate and infrastructure continues although it has been delayed by Covid and supply chain and price impacts relating to Brexit and the world economy. During 2020/21 we completed the move to a new Dubai campus in Knowledge Park which puts our offering in the heart of the business community and development continued on the construction of the National Robotarium. With the slight easing of Covid restrictions in 2021 we have commenced a series of improvements and refurbishments of a range of learning and teaching spaces across the Edinburgh campus, including the first significant inroads into the development of laboratory facilities to support our research growth and to accommodate Global Platform appointments, notably in the School of Engineering and Physical Sciences.

Work is on-going to review the strategy for the University's research park to better align to the development of spaces that support the University's offering in upskilling and education of graduate apprentices, alignment with our world leading research, aligned with our strategy 2025/26 and also economic priorities promoted by the Scottish Government.

Investment in our Digital Strategy is an underpinning thread to deliver Strategy 2025. During the year, work continued on the development of a new ERP solution with HR functionality followed by the Finance. The University rolled out a new Virtual Learning Environment designed to provide student and staff with a better user experience. Work has commenced on several digital infrastructure projects around a global student platform and better connecting our digital systems.

There are inevitable risks associated with the execution of any capital investment, especially when at scale. We will continue to ensure that appropriate project management and resource and financial planning will be directed to ensure that projects can be delivered within overall pre-agreed programmes. The development of our infrastructure is critical to achieving the outputs and outcomes articulated in the strategy. Several business improvement initiatives were started in 2020/21 designed to drive efficiency and effectiveness. This will be a continuing theme aimed at delivering the Strategy 2025 target of reporting a minimum operating surplus of 4%. Having secured long term private placement funding in previous years, the University is well positioned to deliver the infrastructure necessary to support the achievement of Strategy 2025. This secured funding also gives an element of coverage to deal with the economic challenges currently being faced, and which are likely to persist into 2023, from the increasing costs of utilities and general inflation and

the pressures this will put onto the cost of salaries. The diversification of our offering will help to mitigate to some extent. However, it is unlikely that we will see these cost pressures reflected in the teaching income received from the Scottish Government or in the cost agreed to educate students from the rest of the UK. The focus will be on controlling our costs, mitigating these inflationary pressures on our cost base and maximising other revenue streams.

PENSIONS

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

USS is a hybrid scheme providing benefits based on a combination of final pensionable pay and defined contributions. The reference date for the latest published actuarial valuation of the USS scheme up to 31 July 2021 is 31 March 2018. This valuation revealed a reduction in the shortfall of assets when measured against the Scheme's technical provisions. At the valuation date, the value of the assets of the Scheme was £63.7 billion and the value of the Scheme's technical provisions was £67.3 billion indicating a shortfall of £3.6 billion and a funding ratio of 95%. For USS, the institution, along with all other member employers, entered into an agreement (the Recovery Plan) that determined how each employer within the scheme would fund the overall deficit, and so recognise, as a provision in its balance sheet, a liability for the net present value of the future contributions payable that arise from the agreement. With that improved funding position, a new deficit recovery was agreed, which had the intention of eliminating the £3.6bn shortfall over the 10-year period to 31 March 2028. The new recovery plan has resulted in a revised provision of £26.2m as at 31 July 2020, a decrease of £12.6m from the provision at the previous year-end.

The 31 March 2020 valuation exercise is going through the final stages of consultation. The Joint Negotiating Committee, based on the chairperson's casting vote, agreed a Universities UK ("UUK") proposal, tabled on behalf of employers, on 31 August 2021. This has been subject to consultation with employers and members. The next step is for the Joint Negotiating Committee to review and formally consider all the submitted responses before the final decision is made regarding the proposed reforms. The UUK proposal provided for £1.3bn of employer covenant support and a change to members' benefits. With a lengthening of the deficit recovery period contributions from employers and employees are only marginally increased. The March 2020 valuation valued the

assets at £66.5bn and the technical provisions at £80.6bn indicating a shortfall of £14.1bn. As the valuation was not agreed until after 31 July 2021, this valuation has not been reflected through the 2020/21 accounts. Assuming the outcome from the negotiations is approved, the assessment is that the provision will increase from £24.7m to £71.1m, an increase of £46.4m. The consultation period ended on 17 January 2022. During February 2022 the final position will be communicated to affected employees, elected representatives and recognised trade unions. The earliest possible date that any changes would be implemented is 1 April 2022. The Group continues to operate its PensionPlus arrangement for employees who are members of USS. Those participating in this arrangement no longer pay employee pension contributions in the usual way. They have instead agreed to a reduction in their salaries equal to their pension contributions and the Group has, in turn, agreed to increase its own pension contributions to cover both the employee and the employer elements. Both sides have benefited from this arrangement, with reductions in employee and employer National Insurance contributions. The Group has reinvested the savings it has made in new initiatives and the employees involved have benefited from an increase in take home pay.

LPF provides benefits to members based on final pensionable pay. LPF published their latest triennial valuation report, for which the reference date is 31 March 2020, in March 2021. For the LPF, the net present value of the deficit between the underlying assets and liabilities of the University's share of the fund is identifiable as a provision in the University's balance sheet. During the year, the provision decreased by £12.6m to £36.6m (note 18).

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

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

Details of the accounting policies are set out on pages 53-60 and further disclosures are set out in note 26.

ENVIRONMENTAL SUSTAINABILITY

The University is committed to taking a global lead on sustainability and this is one of the key strategic measures of our organisational strategy. We are currently engaged in foundation work with our new Global Environmental Sustainability Group towards establishing stronger integrated Environmental Social and Governance metrics. The University's forthcoming Net Zero Plan will set out our future targets. The University is currently developing a Climate Action Plan which will reflect the global need for substantially enhanced climate change action. For the first time, the plan will establish an emission baseline across the University's global operations before defining challenging and robust decarbonisation targets in support of global, national and regional objectives.

Our prominence in research and teaching in diverse areas of sustainability including clean energy transition, sustainable logistics, industrial decarbonisation, sustainable building design and plastics in the environment positions us strongly as enablers of change with broad reach and global impact. As a charity we are not a campaigning organisation but we will adopt a highly ambitious approach to ensure we help our whole community and partners to understand how they can best effect change in an equitable manner that respects human rights and is based on scientific evidence. Currently there is very poor understanding of how individuals and communities can best effect change. We intend to address this gap working closely within the remit of the United Nations Sustainable Development Goals (UN SDGs). We will work with others to accelerate transition to minimise carbon impacts in the industrial, construction and energy sectors and to preserve critical diversities in plant, marine and material landscape. In our own operations we are continuing

to organise our day-to-day operations with the objective of minimising our impact on the environment and strive to be pioneering in demonstrating practical applications of our research and innovation through our operations.

The University's carbon emissions in 2020/21, in common with those of many organisations, have been significantly reduced via the response to Covid-19, as a result for example of the avoidance of business travel and temporary closure of buildings. Achieving a green recovery is a key objective for our own estate and operations and reflects the University's broader role in sustainable recovery, as summarised within our Recovery Prospectus. From the development of a net-zero centred Global Research Institute to the facilitation of a Recovery Enlightenment Series (the Hutton Series on Climate Change), the University's recovery commitments and planning are focussed on attaining lasting sustainable outcomes. Monitoring under the Carbon Management Plan for the Scotland Campuses indicates good progress towards carbon reduction in 2020/21. The University's reportable emissions in 2020/21 were 47% lower than the 2014/15 baseline, with the further reduction partly due to the ongoing impacts of the COVID-19 pandemic. The new Dubai Campus has recently been awarded Gold status by the Leadership in Energy and Environmental Design, or LEED. Some key metrics achieved at the Dubai Campus were 46% reduction in water use compared to LEED's baseline water consumption; 94% of all equipment and appliances in the new campus are Energy Star compliant and optimize energy performance; 98% of the lighting load is connected to occupancy sensors and 63% of the lighting load is connected to daylight sensors in order to optimise energy performance.



PAYMENT OF SUPPLIERS

Unless special terms are agreed, it is Group policy to pay valid invoices at the end of the month following the month in which the invoice is dated. At 31 July 2021 there were

24 days (2020: 24 days) of purchases in trade creditors. No interest was paid under the terms of the Late Payment of Commercial Debts (Interest) Act 1998.

SCOPE OF THE FINANCIAL STATEMENTS

The financial statements for the year-ended 31 July 2021, which have been approved by the Court, comprise the consolidated results of the University and its subsidiary undertakings, together the 'Group'. These accounts

have been prepared in accordance with the Statement of Recommended Practice (SORP): Accounting for Further and Higher Education (2019 edition); and in accordance with Financial Reporting Standards (FRS 102).

FINANCIAL PERFORMANCE

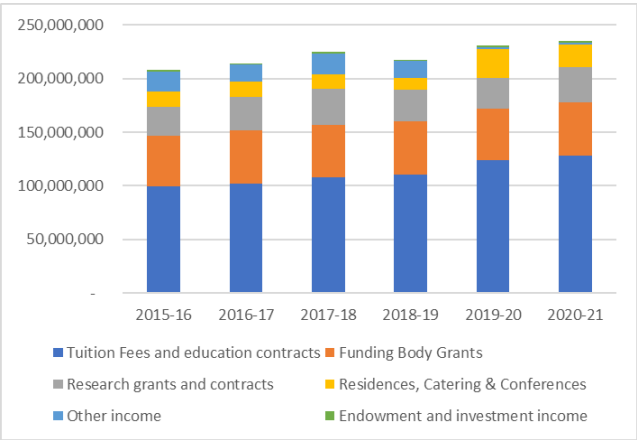
Results for the year

The Group reported a surplus, before other gains and losses, of £2.2m. After other net gains, the reported surplus for the year was £5.7m. After tax credits and recognition of the unrealised actuarial gain on Lothian Pension Fund, total comprehensive income for the year is reported as a surplus of £23.0m.



INCOME

In 2020/21, the Group experienced an increase in total income of 1.9%, with total income increasing by £4.4m to £235.1m (2020 £230.7m). The increase is attributable to additional tuition fees of £3.7m, £2.4m from increased funding body grants and £4.2m of research and contract income offset by a reduction in other operating income of £6.3m mainly related to accommodation and catering activities due to covid related restrictions.



The bar chart below shows income by type for each year from 2015-16 to 2020-21

Tuition Fees and educational contracts

The increase in tuition fees is mainly attributable to income from home domiciled students both undergraduate and postgraduate. Group wide international fees were marginally impacted by Covid related travel restrictions which impacted differently our three campus locations of Edinburgh, Dubai and Malaysia. Tuition fee income was also positively impacted this year by £239K due to the deferment of examinations at the end of 2019/20 on the distance learning Edinburgh Business School MBA. Overall income from our distance learning courses increased by £727K . Dubai experienced a £1m increase in tuition fee income from an increased intake of undergraduate students offset by a reduction in postgraduate fees reflecting the demographics of the working population in Dubai. At our Malaysian Campus, gross fee income experienced a small increase in the year, although this was offset by higher levels of abatements.

The table below indicates the movements of student numbers by Campus between 2019/20 and 2020/21 with the change (%) between each year. This indicates in Scotland the increase in postgraduate numbers as learners reacted to the difficult employment market due to Covid and a desire to upskill their qualifications. In Dubai the move in undergraduate numbers reflect more students studying at home and not travelling and the attractiveness of the educational offering with a reduction in postgraduate numbers reflecting the more transitory international employment market in Dubai.

	2019/20	Change	2020/21
Scottish Campuses			
Undergraduates	7,516	-3.4%	7,263
Taught Postgraduates	1,524	29.1%	1,968
Research Postgraduates	1,001	-3.2%	969
	10,041	1.6%	10,200
Dubai Campus			
Undergraduates / foundation	2,106	3.1%	2,171
Taught Postgraduates	1,497	-3.5%	1,444
Research Postgraduates	34	20.6%	41
	3,637	0.5%	3,656
Malaysia Campus			
Undergraduates / foundation	2,093	2.4%	2,144
Taught Postgraduates	244	-4.9%	232
Research Postgraduates	1	1500.0%	16
	2,338	2.3%	2,392
Total on-campus	16,016	1.4%	16,248
Independent Distance Learners and Students at Approved Learning Partners			
Undergraduates	461	18.7%	547
Taught Postgraduates	10,432	0.7%	10,507
Research Postgraduates	394	14.7%	452
	11,287	1.9%	11,506
GRAND Total	27,303	1.7%	27,754

Funding Body Grants

Funding body grants have increased by £2.4m 5% to £49.7m (2020 £47.3m). This reflects funding of increased Scottish Domiciled full-time undergraduate students and additional funding reflecting governmental support for research activities as impacted by covid.

Research and Contracts Income

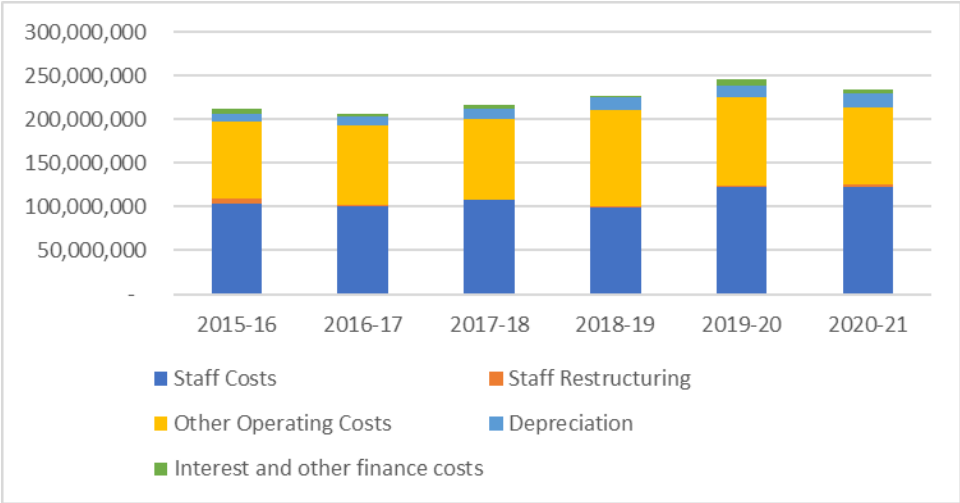
This year research grant and contract income increased by £4.1m (14.5%) to £32.9m (2020 28.8m), whilst the Covid pandemic impacted on research activity throughout the year and a consequent reduction in research grants income, the application of FRS 102's income recognition requirements for contracts without performance conditions led to an increase in overall income.

Other income

Other income has decreased by £6.1m, mainly due to a fall in residences and catering of £8.1m. This reflects the impact of Covid with students being allowed to break their accommodation leases early to travel home and the loss of income from summer schools.

EXPENDITURE

Total expenditure increase by £10.4m to £232.9m. This reflects the significant decrease in USS pension provision in 2020. Excluding the USS pension provision movements from both years expenditure decreased year on year by £11.4m.



Expenditure by type 2015-16 to 2020-21 excluding USS pension provision movements is outlined in the graph above.

Staff costs remain the largest cost. Excluding the restructuring costs, these have decreased by £0.8m to £122.2m (2020: £123.0m). During the year whilst there were rises due to promotional increments, the 0% cost of living increase reflects in the static position. At the beginning of the financial year the University effected a voluntary redundancy scheme in recognition of the difficult and uncertain operating environment and a drive to reshape the operating base to make it more efficient and effective whilst stopping several activities. The cost for the voluntary redundancy scheme is reflected in the restructure costs £3.2m (2020: £0.4m).

Total expenditure in both 2021 and 2020 has been impacted by movements in the USS pension provision. Further movements will be booked in 2022 accounts to reflect the 31 March 2020 valuation which was agreed after 31 July 2021 and therefore is not reflected in the 2021 accounts.

Other operating expenses £88.4m (2020: 101.7m) decreased by £13.3m, reflecting the impact of covid in reduced expenditure of £3.2m in academic services and departments, £5.9m in administrative and central service, £1.5m in premises, £1.3m in residences, catering and conferences. The travel restrictions and Covid restrictions impacted on general and research activities and working from home resulted in reduced spend on printing and utilities.

FINANCIAL POSITION

Net Assets

At the end of the year, the Group had total net assets of £53.1m (2020 £30.2m), an increase of £22.9m. The £22.9m net increase in intangible and tangible fixed assets to £255.6m (2020: £232.7m) reflects expenditure on the fit-out of the new Dubai campus which was operational from April 2021. Intangible assets increased with the capitalisation of the development costs for the new online MBA course content and PG Cert in Research Methods. At 31 July 2021 there was £17.3m of assets under construction; £16.0m for tangible assets on several projects but in the main spend on the contraction of the National Robotarium, and £1.3m of intangible assets being the development of the new ERP system, additional online course content and spend on the virtual learning platform. We review the carrying value of these assets against the future economic return to assess whether or not an impairment is appropriate.

Investment assets increased to £32.7m (2020: £30.1m) reflecting the recovery in global stock markets after significant losses in the period January 2020 to March 2020 in the wake of the covid pandemic. A net increase of £4.2m in trade and other receivables to £40.4m (2020: £36.2m) is due to timing effects on research grants. Additionally, the move to the new ERP system and the implementation in early August 2021 resulted in the early closure of ledgers resulting in reduced activity in the lead-in to year end to pursue debtor payments. There is an increase in the bad debt provision reflecting the general aging of debtors with the impact of Covid slowing up the payment of funds.

Creditors due within one year increased by £13.6m to £97.4 m (2020: £83.8m). This reflects a £8.5m increase in accruals and deferred income mainly due to funding for research activities and £8.4m from research and other grants received in advance offset by a £1.8m small reduction in general creditors reflecting the lower level of spend generally and £1.1m relating to VAT liabilities.

Borrowings have remained consistent with the previous year. The borrowings are in the main long term fixed priced in nature. The first tranche of private placement funding is due to repay in 2027. The £14.2m decrease in pension provisions to £61.5m (2020: £75.7m) reflects a £1.7m decrease in our year-end assessment of the University's long-term obligation to fund its share of the USS recovery plan; and an actuarially assessed £12.5m decrease in the year-end net liability in relation to the Lothian Pension Fund. The 31 March 2018 valuation of the USS scheme revealed a reduction in the shortfall of assets when measured against the Scheme's

technical provisions. The March 2020 valuation exercise as at 31 July 2021 was on-going and subsequently has been finalised, subject to consultation, with the impact on pension provision outlined as a non-adjusting post balance sheet event as outlined in note 27 which highlights the scale of the impact in 2021/22 accounts.

Reserves

The Group's reserves increased by £22.9m to £53.1m (2020: £30.2m) during the year. Endowment reserves increased to £12.0m (note 19) (2020: £10.5m) whilst restricted reserves increased by £0.8m to £8.9m (2020: £8.1m) during the year (note 20). The increase was attributable to by £1.3m of new philanthropic donations and a £0.2m increase in the market value of invested donations offset by expenditure of £0.8m. Unrestricted reserves increased by £21.5m to £30.3m (2020: £8.7m) during the year, mainly attributable to an actuarial gain of £17.0m arising from the valuation of the Lothian Pension Scheme and operating surplus..

Cash Flow

Cash and cash equivalents are £105.4m at 31 July 2021, a decrease of £4.0m compared to the previous year (2020: £109.4m). This represents 44.9% (2020: 47.4%) of total income, or net liquidity of 164 days (2020: 173 days).

The main contributor to the decrease of £4.0m in cash and cash equivalents was the capital expenditure on fixed assets in particular work on the Dubai campus and which became operational in April 2021. Net cash inflow from operating activities was £36.6m in the year to 31 July 2021. Servicing of debt and disposals of investments resulted in a net cash outflow amounting to £4.2m. Total payments to acquire fixed assets and intangible assets amounted to £34.9m and £4.8m respectively with additional investing activity providing a cash inflow of £2.2m.

INDEPENDENT AUDITOR’S REPORT TO THE COURT OF HERIOT-WATT UNIVERSITY

Opinion

We have audited the financial statements of Heriot Watt University (‘the parent institution’) and its subsidiaries (the ‘group’) for the year ended 31 July 2021 which comprise the Consolidated and Institution Statement of Comprehensive Income and Expenditure, Consolidated and Institution Statement of Changes in Reserves, Consolidated and Institution Balance sheet, Consolidated Statement of Cash Flows and the related notes 1 to 31, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards including FRS 102 “The Financial Reporting Standard applicable in the UK and Republic of Ireland” (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the group’s and of the parent institution’s state of affairs as at 31 July 2021 and of the income and expenditure, recognised gains and losses, changes in reserves, and statement of cash flows for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice;
- have been properly prepared in accordance with the Statement of Recommended Practice: Accounting for Further and Higher Education, and relevant legislation; and
- have been prepared in accordance with the requirements of the Charities and Trustee Investment (Scotland) Act 2005 and regulation 14 of the Charities Accounts (Scotland) Regulations 2006.

Basis for opinion

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

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

Conclusions relating to going concern

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 University’s ability to continue as a going concern for a period of 17 months to 31 July 2023 from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors 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 University’s ability to continue as a going concern.

Other information

The other information comprises the information included in the annual report set out on pages 3-45, other than the financial statements and our auditor’s report thereon. The University Court is responsible for the other information.

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

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 course of the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements 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 Memorandum with Higher Education Institutions

In our opinion, based on the work undertaken in the course of the audit, in all material respects:

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

Matters on which we are required to report by exception

- We have nothing to report in respect of the following matters where the Charity Accounts (Scotland) Regulations 2006 (as amended) requires us to report to you if, in our opinion:the information given in the Strategic and Financial Review is inconsistent in any material respect with the financial statements; or
- proper accounting records have not been kept; or
- the financial statements are not in agreement with the accounting records and returns; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of the University Court

As explained more fully in the Statement of the University Court’s Responsibilities set out on page 37, the University Court is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the University Court determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor’s responsibilities for the audit of the financial statements

We have been appointed as auditor under section 44(1) (c) of the Charities and Trustee Investment (Scotland) Act 2005 and report in accordance with the Acts and relevant regulations made or having effect thereunder. Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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 University and management.

Our approach was as follows:

- 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 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 income and expenditure. Where this risk was considered higher, we performed audit procedures to address the risk of fraud and management override. These procedures included testing manual journals and were designed to provide reasonable assurance that the financial statements were free from fraud or error;

- Based on this understanding we designed our audit procedures to identify 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 and a review of Court minutes to identify any non-compliance with laws and regulations.

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.

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

Stephen Reid
On behalf of Ernst & Young
LLP, Statutory Auditor
Edinburgh
Date: 28 February 2022



Consolidated and Institution Statement of Comprehensive Income and Expenditure for the year ended 31 July 2021

		Consolidated		Institution	
		2021 £000	2020 £000	2021 £000	2020 £000
Note					
Income					
	1	128,085	124,300	113,328	109,760
	2	49,676	47,292	49,468	47,069
	3	32,934	28,758	32,810	28,554
	4	21,481	27,619	17,844	25,046
	5	1,144	1,290	1,245	1,616
	6	1,749	1,431	1,509	1,127
		235,069	230,690	216,204	213,172
Expenditure					
	7	122,216	123,025	114,876	115,264
	7	3,164	361	3,164	361
	18, 26	(1,718)	(23,467)	(1,718)	(23,467)
	9	88,360	101,717	81,017	92,332
	11,12	15,749	13,839	14,216	12,380
	8	5,099	7,001	4,350	5,852
		232,870	222,476	215,905	202,722
Surplus before other gains and losses					
		2,199	8,214	299	10,450
		25	2	25	-
		580	(1,100)	580	(1,100)
		2,971	(625)	2,971	(625)
Surplus before tax					
	10	(87)	52	(32)	-
Surplus for the year					
		5,688	6,543	3,843	8,725
Other Comprehensive Income					
		(977)	156	(1,317)	(809)
		94	-	-	-
	18, 26	16,879	(25,146)	16,879	(25,146)
		1,267	-	62	-
Total comprehensive income /(expenditure) for the year					
		22,951	(18,447)	19,467	(17,230)
Represented by:					
		1,513	65	1,513	65
		743	(1,689)	761	(1,717)
		21,578	(16,978)	18,510	(14,775)
		(977)	155	(1,317)	(809)
		94	-	-	6
		22,951	(18,447)	19,467	(17,230)

The accounting policies on pages 53-60 and the notes on pages 61-84 form an integral part of these financial statements

Statement of Changes in Reserves for the year ended 31 July 2021

	Income and Expenditure reserve			Translation Reserve	Revaluation Reserve	Total
	Endowment	Restricted	Unrestricted			
	£000	£000	£000	£000	£000	£000
Consolidated						
Balance at 1 August 2019	10,459	9,816	25,718	(308)	2,964	48,649
Surplus from income and expenditure statement	349	1,367	4,827	-	-	6,543
Other comprehensive expenditure	-	-	(24,990)	-	-	(24,990)
Transfers between revaluation and unrestricted reserve	-	-	(155)	155	-	-
Transfers between restricted and unrestricted reserve	-	(3,340)	3,340	-	-	-
Transfers between endowment and restricted reserve	(284)	284	-	-	-	-
Balance at 31 July 2020	10,524	8,127	8,740	(153)	2,964	30,202
Surplus from income and expenditure statement	2,002	1,535	2,150	-	-	5,687
Other comprehensive income	-	-	17,264	-	-	17,264
Transfers between revaluation and unrestricted reserve	-	-	883	(977)	94	-
Transfers between restricted and unrestricted reserve	-	(1,281)	1,281	-	-	-
Transfers between endowment and restricted reserve	(489)	489	-	-	-	-
Total comprehensive income for the year	1,513	743	21,578	(977)	94	22,951
Balance at 31 July 2021	12,037	8,870	30,318	(1,129)	3,058	53,154
Institution						
Balance at 1 August 2019	10,459	9,816	36,217	985	2,875	60,352
Surplus from income and expenditure statement	349	1,064	7,312	-	-	8,725
Other comprehensive income	-	-	(25,955)	-	-	(25,955)
Transfers between revaluation and unrestricted reserve	-	-	809	(809)	-	-
Transfers between restricted and unrestricted reserve	-	(3,065)	3,065	-	-	-
Transfers between endowment and restricted reserve	(284)	284	-	-	-	-
Balance at 31 July 2020	10,524	8,099	21,448	176	2,875	43,122
Surplus from income and expenditure statement	2,001	1,291	549	-	-	3,841
Other comprehensive income	-	-	15,624	-	-	15,624
Transfers between revaluation and unrestricted reserve	-	-	1,317	(1,317)	-	-
Transfers between restricted and unrestricted reserve	-	(1,024)	1,024	-	-	-
Transfers between endowment and restricted reserve	(488)	492	(4)	-	-	-
Total comprehensive income for the year	1,513	759	18,510	(1,317)	-	19,465
Balance at 31 July 2021	12,037	8,858	39,958	(1,141)	2875	62,587

Consolidated and Institution Balance Sheet for the year ended 31 July 2021

		Consolidated		Institution	
	Note	2021 £000	2020 £000	2021 £000	2020 £000
Intangible assets and goodwill	11	5,727	3,351	5,727	3,351
Tangible fixed assets	12	249,878	229,348	215,153	193,260
Investments	13	32,684	30,132	32,684	30,132
Investment in subsidiaries	13	-	-	5,440	5,602
		288,289	262,831	259,004	232,345
Current Assets					
Stock	14	3	2	-	-
Trade and other receivables**	15	40,392	36,234	65,536	59,560
Cash and cash equivalents	21	105,371	109,423	92,811	99,635
		145,766	145,659	158,347	159,195
Less Creditors: amounts falling due within one year	16	97,419	83,824	97,869	82,586
Net current assets		48,347	61,835	60,478	76,609
Total assets less current liabilities		336,636	324,666	319,482	308,954
Creditors: amounts falling due after more than one year	17	221,968	218,801	195,379	190,169
Provisions					
Pension provisions	18	61,514	75,663	61,514	75,663
Total net assets		53,154	30,202	62,589	43,122
Restricted reserves					
Income and expenditure – endowment reserve	19	12,037	10,524	12,037	10,524
Income and expenditure – restricted reserve	20	8,870	8,127	8,858	8,099
Unrestricted reserves					
Income and expenditure - unrestricted		30,318	8,740	39,960	21,448
Translation reserve		(1,129)	(153)	(1,141)	176
Revaluation reserve		3,058	2,964	2,875	2,875
Total reserves		53,154	30,202	62,589	43,122

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

The accounting policies on pages 53-60 and the notes on pages 61-84 form an integral part of these financial statements, which were approved by the University Court on 23 February 2022 and signed on its behalf by:

Professor Richard A. Williams
Principal and Vice Chancellor
Date: 28 February 2022

Ms Morag McNeill
Chair of Court
Date: 28 February 2022

Andrew Jefferson
Global Chief Financial Officer
Date: 28 February 2022

Consolidated Statement of Cash Flows for the year ended 31 July 2021

	Note	Consolidated	
		2021	2020
		£000	£000
Cash flow from operating activities			
Surplus for the year before taxation		5,775	6,491
Adjustment for non-cash items			
Depreciation and impairment of tangible fixed assets	12	13,344	13,606
Amortisation and impairment of intangible fixed assets	11	2,405	233
Loss on restatement of tangible fixed assets in overseas entities	12	747	349
(Increase)/decrease in fixed asset investments	13	(2,990)	576
Decrease in current asset investments		-	638
Increase in stock		(1)	-
(Increase)/decrease in debtors	15	(4,158)	9,139
Increase in creditors within one year	16	13,595	3,198
Increase in creditors after one year	17	3,167	32,633
(Decrease) / increase in provisions	18	(14,149)	5,540
(Gain)/Loss on investment land revaluation	13	(580)	1,100
Actuarial loss in respect of pension schemes	18	16,879	(25,146)
Increase in cumulative translation of overseas operations		(977)	155
Other cashflow		1,499	-
Adjustment for investing or financing activities			
Interest receivable	5	(1,144)	(1,290)
Net return on pension assets	26	(883)	1,241
Interest payable	8	4,366	4,219
Gain on disposal of tangible fixed assets	12	(25)	-
Net amounts drawn down		(740)	(31,167)
Repayments of amounts borrowed		566	472
Cash inflow from operating activities		36,646	21,987
Taxation	10	(87)	52
Net cash flow from operating activities		36,559	22,039
Cash flows from investing activities			
Payments to acquire fixed assets	12	(34,898)	(13,216)
Payments to acquire fixed asset investments	13	(115)	-
Payments to acquire intangible assets and goodwill	11	(4,781)	(2,413)
Proceeds from sale of fixed assets and investments		25	-
Interest receivable	5	1,144	1,290
Disposal of fixed assets	12	190	400
Disposals of fixed asset investments	13	1,133	201
Net return on pension assets	26	883	(1,241)
		(36,419)	(14,979)
Cash flows from financing activities			
Interest payable	8	(4,366)	(4,219)
Disposal of current asset investments		-	(637)
Net amounts drawn down		740	31,168
Repayments of amounts borrowed		(566)	(472)
		(4,192)	25,840
(Decrease) /increase in cash and cash equivalents in the year		(4,052)	32,900
Cash and cash equivalents at beginning of the year		109,423	76,523
Cash and cash equivalents at end of the year		105,370	109,423

The accounting policies on pages 53-60 and the notes on pages 61-84 form an integral part of these financial statement.

STATEMENT OF ACCOUNTING POLICIES

1. Basis of preparation

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

Going concern assessment

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 to 25. Its financial performance for the year to 31 July 2021 is described in the Financial Review on pages 38 to 45; and the income and expenditure, assets, liquidity and cash flows are set out in more detail in the Financial Statements on pages 49 to 52 and in the notes to the Financial Statements on pages 61 to 84.

The uncertainty as to the current and future impact on the financial performance and cashflows of the University, as a result of the Covid-19 pandemic, has been considered as part of the University's assessment and adoption of the going concern basis in these financial statements and in developing a financially sustainable financial plan.

Following consideration of a range of internal and external factors, including the strong performance of the University in attracting and maintaining student numbers, sustaining and growing research income and the delivery of pay and non-pay savings measures. These financial statements have been prepared on a going concern basis which senior management and University Court believe to be appropriate for the following reasons:

The University is well-established and well-known for its excellence in teaching and research. As such the demand for learning at the University remains strong, as evidenced in the student cohort for 2020/21, even during the pandemic. The University's adoption of responsive blended learning (RBL) dual-mode delivery teaching model, with lectures delivered online and in person, gives students the opportunity to learn on campus or remotely, mitigating the risk of Covid-19 to the continuity of its teaching activity. As the University moved into 2021/22, demand levels from students at our three geographical locations has proven to be extremely strong, with similar strength for the January 2022 intake. There remains an element of uncertainty and volatility, relating to the pandemic, for the September 2022 student numbers, however given the experience and resilience demonstrated since the beginning of the pandemic this risk is now considered to have reduced significantly.

At 31 July 2021 the University held net assets of £53.2 million including a high level of cash and cash equivalents and investments, totalling £105.4 million which at 31 January 2022 were £138.2million.

A financial plan for 2021/22 through to 2023/24 is in place which takes into consideration the anticipated impact of Covid-19, as well as the impact of the then planned increase in USS pension contribution rates to 34.7% in October 2021.

Following 31 July 2021, agreement was reached through the USS joint negotiating committee for changes to the Scheme which, subject to consultation, has an employer contribution increase of 0.3% to 21.4%. If approved following consultation, this rate will then persist to 31 March 2038, subject to the outcome of further valuations. If the outcome of the committee is notified USS have published a schedule of increasing contribution rates which would then increase over 10 years to 38.2%. These rates have not been included in the baseline financial plan.

As a result of strategic investment, particularly in the Dubai campus, the University holds private placement borrowings amounting to £140.7 million in unsecured loans. The unsecured debt is subject to financial covenants as set out in note 17. As at 31 July 2021 all financial covenants were met. The University forecasts that it will continue to operate within the terms of its available committed private placement loans, meeting all financial covenants throughout the going concern period.

The University carefully and regularly monitors risks including the potential impact of Covid-19 on its financial position. Senior management have considered various scenarios in assessing these risks and any mitigations on future financial

performance and cashflows. The University has proven working policies established from the initial outbreak of Covid-19 ensuring the safe wellbeing of students whilst in residential accommodation.

In testing the robustness of the University's financial position, cashflow projections have been prepared to support management's assessment of going concern throughout the period to 31 July 2023. In the most severe modelled scenario, the University is forecast to continue to operate within its available committed facilities, meeting all financial covenants, with forecast headroom on cash of no lower than £77 million throughout the period. Risks that USS contributions will increase in line with those notified in the event that the agreed outcome from the joint negotiating committee is not ratified are considered low. A potential increase has been included in scenario thinking where applicable for the going concern review period.

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

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

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

2. Basis of consolidation

The consolidated financial statements include the University and all of its subsidiaries for the financial year to 31 July 2021. 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 are recognised in income over the periods in which the University recognises the related costs for which the grant is intended to compensate. Where part of such a grant is deferred, it is recognised as deferred income within creditors and allocated between creditors due within one year and due after more

than one year as appropriate. Research capital grants from government sources are recognised in income over the expected useful life of the asset.

Research revenue income from other sources 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. Agreement relating to the 31 March 2020 valuation was not achieved until after 31st July 2021. These accounts do not therefore reflect the impact of the outcome.

LPF

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

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

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

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

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

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

14. Stock

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

15. Cash and cash equivalents

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

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

16. Provisions, contingent liabilities and contingent assets

Provisions are recognised in the financial statements when:

- 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.

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.

d) 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.

e) 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 2018. Since the balance sheet date, a further valuation, as at March 2020 has been completed. The more recent valuation indicates 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, an adjustment that will be reflected in the University's Financial Statements for the year ended 31 July 2022. 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.

f) 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:**g) 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.

h) Management judgement in relation to the carrying of debtors/creditors

Management have reviewed a past contract with a partner organisation on which there remain outstanding balances. In the balance sheet, debtor and creditor balances are netted off to reflect that should the partner fail to settle the net debt owing to the University, the University would not be liable for the creditor balance, and that a provision has been made for the net exposure.

NOTES TO THE ACCOUNTS**1. Tuition fees and education contracts**

	Consolidated		Institution	
	2021 £000	2020 £000	2021 £000	2020 £000
Scotland Home domicile students	14,459	13,655	14,385	14,083
EU domicile students	3,472	-	3,472	-
Rest of UK Students	9,280	11,368	9,280	11,571
International Students	90,425	86,598	75,788	71,547
Higher education contracts	2,750	1,978	2,750	1,978
Research training support grants	3,383	3,041	3,354	3,031
Short course fees	2	5,641	2	5,537
Examination and graduation fees	4,314	2,019	4,297	2,013
	128,085	124,300	113,328	109,760

EU domicile students were previously classified with domestic students in line with government funding provision. For 2020/21 EU students are shown separately

2. Funding body grants

	Consolidated		Institution	
	2021 £000	2020 £000	2021 £000	2020 £000
SFC teaching grants	27,229	26,041	27,229	26,041
SFC research and knowledge exchange grants	17,839	16,669	18,335	16,669
Release of deferred capital grants	2,200	2,731	2,200	2,731
Other grants	2,408	1,851	1,704	1,628
	49,676	47,292	49,468	47,069

3. Research grants and contracts

	Consolidated		Institution	
	2021 £000	2020 £000	2021 £000	2020 £000
Research councils	15,553	13,957	15,553	13,957
Charities	1,533	1,870	1,533	1,870
UK Government	1,353	1,251	1,353	1,251
UK Industry	3,321	2,487	3,321	2,487
EU Commission	4,776	4,805	4,776	4,805
EU other	1,134	1,650	1,134	1,650
Other overseas	3,898	1,169	3,898	1,169
Other sources	1,366	1,569	1,242	1,365
	32,934	28,758	32,810	28,554

4. Other income

	Consolidated		Institution	
	2021 £000	2020 £000	2021 £000	2020 £000
Residences, catering and conferences	5,110	13,230	4,978	13,093
Income from governments and other funding bodies**	3,845	2,774	3,711	2,773
Release of deferred capital grants	1,475	1,560	721	805
Other commercial income	3,962	4,264	2,384	2,953
Sports and exercise	1,780	2,113	-	-
Other income, including foreign currency gains	5,309	3,678	6,050	5,422
	21,481	27,619	17,844	25,046

** Included within income from governments and other funding bodies is 2021 £831,325 (2020 £1,128,000) received by the University under the Coronavirus Job Retention Scheme

5. Investment income

	Consolidated		Institution	
	2021 £000	2020 £000	2021 £000	2020 £000
Investment income on endowments	315	340	372	340
Investment income on restricted reserves	36	41	36	41
Other investment income	793	909	837	1,235
	1,144	1,290	1,245	1,616

6. Endowments and donations

	Consolidated		Institution	
	2021 £000	2020 £000	2021 £000	2020 £000
New endowments	96	11	96	11
Donations with restrictions	1,303	1,315	1,063	1,011
Unrestricted donations	350	105	350	105
	1,749	1,431	1,509	1,127

7. Staff costs

	Consolidated		Institution	
	2021 £000	2020 £000	2021 £000	2020 £000
Salaries	94,497	95,707	88,050	88,802
Social security costs	8,016	8,038	7,816	7,834
Employer's pension contributions (note 18):				
USS	12,068	12,647	11,899	12,647
LPF	3,466	3,292	3,466	3,292
Other	604	721	80	69
Movement in LPF and other pension provisions (note 18)				
Increase in LPF pension deficit	3,592	2,648	3,592	2,648
Decrease in other pension provisions	(27)	(28)	(27)	(28)
Total staff costs before staff restructuring costs and movement in USS pension provision	122,216	123,025	114,876	115,264

Staff restructuring costs	3,164	361	3,164	361
Decrease in USS provision (note 18)	(1,718)	(23,467)	(1,718)	(23,467)
Total staff costs	123,662	99,919	116,321	92,158

Analysed between staff working in:

Academic schools	81,004	84,495	77,174	80,521
Administrative and central service functions	33,171	30,277	29,825	26,650
Premises functions	3,905	3,966	3,782	3,851
Residences and catering	4,136	4,287	4,095	4,242
Total staff costs before staff restructuring costs and movement in USS pension provision	122,216	123,025	114,876	115,264

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

	Consolidated		Institution	
	2021 Number	2020 Number	2021 Number	2020 Number
Academic schools	1,255	1,356	1,117	1,220
Administrative and central service functions	785	739	691	643
Premises functions	143	75	135	68
Residences and catering	113	163	111	160
Total staff numbers	2,296	2,333	2,054	2,091

EMOLUMENTS OF PRINCIPAL AND VICE-CHANCELLOR

Professor Richard A Williams

Salary	278	281
Benefits	28	29
Pension contributions to USS	6	6
	312	316

Consolidated & Institution	
2021 £000	2020 £000
278	281
28	29
6	6
312	316

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

For the period 4th September to 1st November 2019, the Vice Principal Julian Jones was designated as the University's Accountable Officer due to the Principal having a period of medical leave. He received an acting up allowance of £13,000. No similar allowance was paid in the year to 31 July 2021.

KEY MANAGEMENT PERSONNEL

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

Consolidated & Institution	
2021 £000	2020 £000
1,118	792

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 and the Global Chief Financial Officer

COMPENSATION FOR LOSS OF OFFICE

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

	Consolidated & Institution	
	2021	2020
Aggregate compensation paid (£000)	299	177
Number of payments	5	4

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

PAY MULTIPLES

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

	Consolidated & Institution	
	2021 £000	2020 £000
Highest paid officer's remuneration (Principal and Vice-Chancellor)	278	281
Median total remuneration	39	34
Ratio	7:1	8:1

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

REMUNERATION OF HIGHER PAID STAFF, excluding pension contributions

	2021 Number		2020 Number	
	Key management personnel	Other staff	Key management personnel	Other staff
Consolidated				
£100,001 - £110,000	-	29	-	17
£110,001 - £120,000	-	12	-	16
£120,001 - £130,000	1	5	-	4
£130,001 - £140,000	-	5	-	3
£140,001 - £150,000	-	3	-	4
£150,001 - £160,000	2	2	-	4
£160,001 - £170,000	-	2	-	-
£170,001 - £180,000	1	1	-	2
£180,001 - £190,000	-	-	1	-
£190,001 - £200,000	-	-	-	1
£190,001 - £200,000	-	-	-	-
£210,001 - £220,000	-	1	1	2
£300,001 - £310,000	1	-	1	-
	5	60	3	53
University				
£100,001 - £110,000	-	28	-	17
£110,001 - £120,000	-	12	-	15
£120,001 - £130,000	1	4	-	4
£130,001 - £140,000	-	5	-	2
£140,001 - £150,000	-	3	-	4
£150,001 - £160,000	2	2	-	4
£160,001 - £170,000	-	2	-	-
£170,001 - £180,000	1	1	-	2
£180,001 - £190,000	-	-	1	-
£190,001 - £200,000	-	-	-	1
£210,001 - £220,000	-	1	1	2
£300,001 - £310,000	1	-	1	-
	5	58	3	51

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 28-32 of these financial statements. The Chair of Court is the only member who receives any remuneration (£20K). In the year the Chair gifted his full remuneration back to the University's 1821 appeal. 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 (2020: nil).

8. Interest payable and other finance costs

	Consolidated		Institution	
	2021 £000	2020 £000	2021 £000	2020 £000
Loan interest	4,328	4,180	4,318	4,186
Net charge on pension assets	883	1,241	883	1,241
Investment management charges	38	39	38	39
Exchange differences	(150)	1,541	(889)	386
	5,099	7,001	4,350	5,852

9. Analysis of operating expenses by activity

	Consolidated		Institution	
	2021 £000	2020 £000	2021 £000	2020 £000
Academic departments	12,224	13,295	12,147	13,167
Academic services	6,319	9,508	6,042	9,753
Administration and central services	42,350	48,273	38,420	42,389
Premises	17,645	19,146	14,798	15,979
Residences, catering and conferences	1,636	2,963	1,460	2,597
Research grants and contracts	8,186	8,532	8,150	8,447
	88,360	101,717	81,017	92,332
Other operating expenses include:				
External auditor's remuneration – audit*	702	219	636	161
External auditor's remuneration – non-audit services **	-	166	-	159
Internal auditor's remuneration	94	89	94	89
Operating lease rentals				
- Land & Buildings	5,957	2,490	4,534	572
- Other	339	399	117	156

* The charge in 2021 also reflects the additional costs in relation to the audit for 2020.

**External auditor's remuneration – non-audit services relate to payments to the previous auditor, KPMG. No non-audit services have been provided by the current external auditor.

10. Taxation

	Consolidated		Institution	
	2021 £'000	2020 £'000	2021 £'000	2020 £'000
UK Corporation tax at 19% (2019: 19%)	87	(52)	(32)	0

11. Intangible fixed assets

Consolidated and Institution	Assets in the course of construction	Online Course Content	Total
	£000	£000	£000
Cost or valuation			
At 1 August 2020	1,672	1,912	3,584
Additions	4,781	-	4,781
Transfer from Under Construction	(1)	1	0
At 31 July 2021	6,452	1,913	8,365
Amortisation			
At 1 August 2020	-	233	233
Charge for year	-	383	383
Impairment	2,022	-	2,022
At 31 July 2021	2,022	616	2,638
Net Book Value			
At 31 July 2021	4,430	1,297	5,727
At 1 August 2020	1,672	1,679	3,351

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

Intangible assets in the course of construction comprise additional online course content and virtual learning platforms as well as software including the ERP finance and HR system. The ERP system has an impairment of value in use, due to expected functionality not having been delivered. Additional costs will be incurred to bring the asset into full use

12. Tangible fixed assets

Consolidated	Land and Buildings	Panmure House	Equipment	Assets in the course of construction	Total
	£000	£000	£000	£000	£000
Cost or valuation					
At 1 August 2020	315,068	3,700	72,231	10,685	401
Additions	-	-	399	34,499	34,898
Transfers	22,379	-	5,596	(27,975)	-
Foreign exchange movement	(307)	-	(210)	(413)	(930)
Disposals	(8,758)	-	(47,190)	(835)	(56,783)
At 31 July 2021	328,382	3,700	30,826	15,961	378,869
Depreciation					
At 1 August 2020	112,739	-	59,597	-	172,336
Charge for year	9,012	100	4232	-	13,344
Foreign exchange movement	(46)	-	(138)	-	(184)
Disposals	(8,791)	-	(47,714)	-	(56,505)
At 31 July 2021	112,914	100	15,977	-	128,991
Net Book Value					
At 31 July 2021	215,468	3,600	14,849	15,961	249,878
At 1 August 2020	202,329	3,700	12,634	10,685	229,348
Institution					
Cost or valuation					
At 1 August 2020	269,020	3,700	67,670	10,450	350,840
Additions	-	-	395	34,482	34,877
Transfers	22,379	-	5,596	(27,975)	-
Foreign exchange movement	(182)	-	(56)	(413)	(651)
Disposals	(2,230)	-	(46,375)	(682)	(49,287)
At 31 July 2021	288,987	3,700	27,230	15,862	335,779
Depreciation					
At 1 August 2020	101,935	-	55,644	-	157,579
Charge for year	7,775	100	3,936	-	11,811
Foreign exchange movement	(4)	-	(2)	-	(6)
Disposals	(2,219)	-	(46,539)	-	(48,758)
At 31 July 2021	107,487	100	13,039	-	120,626
Net Book Value					
At 31 July 2021	181,500	3,600	14,191	15,862	215,153
At 1 August 2020	167,084	3,700	12,026	10,450	193,260

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 £16,791,000 (2020 £10,685,000) relating to assets in the course of construction, of which £9,708,100 (2020 £8,071,000) relates to freehold land and buildings and £3,667,000 of related equipment (2020: £2,614,000).

At 31 July 2021 land and buildings for the group included £4,686,000 (2020, £4,686,000) in respect of freehold land which is not depreciated. The restated value as at 01 August 2019 corrects amounts included in prior years, classed incorrectly as non-depreciating land and buildings.

13. Non-current investments

	Consolidated		Institution	
	2021 £000	2020 £000	2021 £000	2020 £000
Investment in subsidiaries (a)	-	-	5,440	5,602
Investment properties (b)	11,580	11,000	11,580	11,000
Other investments (c)	21,104	19,132	21,104	19,132
	32,684	30,132	38,124	35,734

	Institution	
	2021 £000	2020 £000
(a) Investment in subsidiaries		
As at 1 August 2020	5,602	5,988
Fair Value adjustments	(162)	(386)
As at 31 July 2021	5,440	5,602

	Consolidated		Institution	
	2021 £000	2020 £000	2021 £000	2020 £000
(b) Investment properties				
As at 1 August 2020	11,000	12,100	11,000	12,100
Revaluation	580	-	580	-
Impairment	-	(1,100)	-	(1,100)
As at 31 July 2021	11,580	11,000	11,580	11,000

	Consolidated		Institution	
	2021 £000	2020 £000	2021 £000	2020 £000
(c) Other investments				
As at 1 August 2020	19,132	19,910	19,132	19,910
Additions	115	-	115	-
Transfers	-	-	-	-
Disposals	(1,133)	(202)	(1,133)	(202)
Fair Value adjustments	2,990	(576)	2,990	(576)
As at 31 July 2021	21,104	19,132	21,104	19,132

The University investment in subsidiary companies is stated at cost.

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

14. Stock

	Consolidated		Institution	
	2021 £000	2020 £000	2021 £000	2020 £000
General consumables	3	2	-	-

15. Trade and other receivables

	Consolidated		Institution	
	2021 £000	2020 £000	2021 £000	2020 £000
Amounts falling due within one year:				
Research grants receivables	10,635	4,581	10,635	4,475
Trade receivables	19,136	21,486	19,432	21,535
Trade debt provision	(6,461)	(3,784)	(6,382)	(3,732)
Prepayments and accrued income	15,996	12,594	15,983	11,455
Amounts due from group undertakings	-	-	12,272	11,661
	39,306	34,877	51,540	45,394
Amounts falling due after more than one year:				
Loans by parent undertakings	-	-	12,910	12,809
Prepayments and accrued income	1,086	1,357	1,086	1,357
	1,086	1,357	13,996	14,166
	40,392	36,234	65,536	59,560

Research grants receivable represent only accrued research income. Included in prepayments and accrued income is £1,086,000 (2020: £1,632,000) due after more than one year, which constitutes deemed consideration received by Heriot-Watt University from Borders College for the sale of its Galashiels site to the College in return for 17.5 years rent-free occupation of part of the site, commencing from the 1 February 2009, this being the practical completion date for the redevelopment of the site.

16. Creditors: amounts falling due within one year

	Consolidated		Institution	
	2021 £000	2020 £000	2021 £000	2020 £000
Unsecured loans	1,029	1,160	1,029	1,160
Grants in advance for research	27,949	21,505	27,779	21,340
Other grants in advance	2,012	70	2,012	70
Other creditors	95	328	95	328
Trade creditors	3,586	5,410	3,237	4,419
Other taxation and social security	5,400	6,525	5,416	5,908
Accruals and deferred income	57,348	48,826	55,359	46,335
Amounts owed to subsidiary undertakings	-	-	2,942	3,026
	97,419	83,824	97,869	82,586

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

	Consolidated		Institution	
	2021 £000	2020 £000	2021 £000	2020 £000
Unsecured loans	145,200	145,715	145,200	145,715
Deferred income	74,587	71,494	50,179	44,454
Other creditors	2,181	1,592	-	-
	221,968	218,801	195,379	190,169

Analysis of unsecured loans:

	Consolidated		Institution	
	2021 £000	2020 £000	2021 £000	2020 £000
Due within one year or on demand	1,029	1,160	1,029	1,160
Due between one and two years	629	745	629	745
Due between two and five years	1,751	2,719	1,751	2,719
Due in five years or more	142,820	142,251	142,820	142,251
	146,229	146,875	146,229	146,875

Unsecured loans outstanding at 31 July 2021 were as follows:

Lender	Amount £000	Repayable	Interest rate %	Borrower
Legal & General Assurance Society Ltd	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. of New York	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
Great -West Life & Annuity Insurance Co.	216	2027	1.99	
Massachusetts Mutual Life Insurance Co. (USD loan)	3,170	2027	1.99	University
NY Trust (Barings) (USD loan)	3,098	2027	2.99	University
Great West Life & Annuity Insurance Co. (USD loan)	7,205	2029	3.08	University
Scottish Funding Council Salix loans	1,494	2025	-	University
Scottish Funding Council Salix loans	1,594	2029	0.25	University
Scottish Funding Council Salix loan	1,322	2041	0.25	University
Scottish Funding Council Salix loan	731	2041	0.25	University
Scottish Funding Council Salix loan	400	Revolving	-	University
	146,229			

18. Provisions for liabilities

	Pension Provisions			Total £000
	Obligation to fund USS deficit ¹ £000	Lothian pension fund deficit ² £000	Unfunded pension benefits ³ £000	
Consolidated				
At 1 August 2020	26,187	49,192	284	75,663
Utilised in year	(12,364)	(3,466)	(27)	(15,857)
Additions	10,837	(9,129)	-	1,708
At 31 July 2021	24,660	36,597	257	61,514

Analysis of net movement in provision

Charged to staff costs (note 7)	(1,718)	3,592	(27)	1,847
Net charge on pension assets (note 8)	191	692	-	883
Actuarial (gain) on pension schemes	-	(16,879)	-	(16,879)
Total movement	(1,527)	(12,595)	(27)	(14,149)

	Pension Provisions			Total £000
	Obligation to fund USS deficit ¹ £000	Lothian pension fund deficit ² £000	Unfunded pension benefits ³ £000	
Institution				
At 1 August 2020	26,187	49,192	284	75,663
Utilised in year	(12,364)	(3,466)	(27)	(15,857)
Additions	10,837	(9,129)	-	1,708
At 31 July 2021	24,660	36,597	257	61,514

Analysis of net movement in provision

Charged to staff costs (note 7)	(1,718)	3,592	(27)	1,847
Net return on pension assets (note 8)	191	692	-	883
Actuarial loss on pension schemes	-	(16,879)	-	(16,879)
Total movement	(1,527)	(12,595)	(27)	(14,149)

¹The 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 £24.7 million as at 31 July 2021.

	2021	2020
Discount rate	0.88%	0.73%
Percentage salary growth	N/A	N/A

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

Change in assumptions at 31 July 2021:

	Estimate of increase in Provision to fund USS deficit recovery (£000)
0.5% pa decrease in discount rate	54
0.5% pa increase in salary inflation over duration	61
0.5% pa increase in salary inflation year 1 only	426
0.5% pa increase in staff changes over duration	57
0.5% pa increase in staff changes year 1 only	425

²The 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.

³This 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

	Restricted permanent endowments £000	Expendable endowments £000	Consolidated	
			2021 £000	2020 £000
Balances at 1 August 2020				
Capital	7,406	2,315	9,721	9,833
Accumulated Income	518	285	803	626
	7,924	2,600	10,524	10,459
New endowments	95	-	95	11
Investment income	240	75	315	310
Expenditure	(84)	(404)	(488)	(284)
	8,175	2,271	10,446	10,496
Increase/(decrease) in market value of investments	1,211	380	1,591	28
As at 31 July 2021	9,386	2,651	12,037	10,524
Represented by:				
Capital	8,668	2,224	10,892	9,721
Accumulated income	718	427	1,145	803
	9,386	2,651	12,037	10,524

Analysis by type and purpose:

	Restricted permanent endowments £000	Expendable endowments £000	Consolidated 2021 £000	2020 £000
Lectureships	1,707	1,144	2,851	2,473
Scholarships and bursaries	4,389	947	5,336	4,656
Prize funds	1,340	408	1,748	1,506
General	1,950	152	2,102	1,889
	9,387	2,651	12,037	10,524

Analysis by assets:

	Consolidated 2021 £000	2020 £000
Current and non-current asset investments	10,892	9,721
Cash and cash equivalents	1,145	803
	12,037	10,524

20. Restricted reserves

	Research grants £000	Donations £000	Consolidated	
			2021 £000	2020 £000
Balances at 1 August 2020	5,499	2,628	8,127	9,816
New grants	17	-	17	10
New donations	-	1,305	1,305	1,323
Investment income	-	36	36	41
Expenditure	(55)	(737)	(792)	(3,067)
Increase in market value of investments	-	177	177	4
	(38)	781	743	(1,689)
As at 31 July 2021	5,461	3,407	8,870	8,127

Analysis of other restricted funds/donations by type and purpose:

Lectureships	-	466	466	205
Scholarships and bursaries	-	1,777	1,777	1,394
Research support	5,462	-	5,462	5,499
Prize Funds	-	3	3	1
General	-	1,162	1,162	1,028
	5,462	3,407	8,870	8,127

21. Cash and cash equivalents

	Consolidated	
	2021 £000	2020 £000
Balances at 1 August 2020	109,423	76,523
Cash flows, in year	(4,052)	32,900
As at 31 July 2021	105,371	109,423

22. Consolidated reconciliation of net debt

	Consolidated	
	2021 £000	2020 £000
Net debt 1 August 2020	(37,452)	(39,905)
Movement in cash and cash equivalents	(4,052)	32,900
Other non-cash changes	496	(28,906)
Changes in market value and exchange rates	150	(1,541)
Net debt 31 July 2021	(40,858)	(37,452)
Change in net debt	(3,406)	2,453
	Consolidated	
	2021 £000	2020 £000
Analysis of net debt:		
Cash and cash equivalents	105,371	109,423
Borrowings: amounts falling due within one year		
Unsecured Loans	(1,029)	(1,160)
Borrowings: amounts falling due after one year		
Unsecured loans	(145,200)	(145,715)
Net Debt as at 31 July 2021	(40,858)	(37,452)

23. Capital and other commitments

	Consolidated & Institution	
	2021 £000	2020 £000
Provision has not been made for the following capital commitments at 31 July 2021:		
Commitments contracted	15,303	17,216
Authorised but not contracted	10,596	22,591
	25,899	39,807

24. Lease obligations

At 31 July 2021 commitments under operating leases were as follows:

	31 July 2021			2021 £000	2020 £000
	Land and buildings £000	Plant and machinery £000	Other leases £000	Total £000	Total £000
Consolidated					
Payable during the year	5,957	225	113	6,295	1,982
Future minimum lease payments due:					
Not later than 1 year	9,474	108	98	9,680	6,167
Later than 1 year and not later than 5 years	37,261	59	42	37,363	38,277
Later than 5 years	72,099	-	-	72,099	104,411
Total future minimum lease payments due	118,834	167	140	119,141	148,855
Institution					
Payable during the year	4,535	3	113	4,651	728
Future minimum lease payments due:					
Not later than 1 year	5,981	-	98	6,079	5,202
Later than 1 year and not later than 5 years	23,290	-	42	23,332	29,923
Later than 5 years	24,946	-	-	24,946	40,069
Total future minimum lease payments due	54,217	-	140	54,357	75,194
Total rentals receivable under operating leases:					
	31 July 2021			2021 £000	2020 £000
	Land and buildings £000	Plant and machinery £000	Other leases £000	Total £000	Total £000
Consolidated and Institution					
Future minimum lease payments due:					
Not later than 1 year	723	-	-	723	706
Later than 1 year and not later than 5 years	2,596	-	-	2,596	2,209
Later than 5 years	39,906	-	-	39,906	32,275
Total lease payments due	43,225	-	-	43,225	35,190

Contingent rents receivable recognised in the Statement of Comprehensive Income during 2020-21 were £751k (2020: £757k).

25. Subsidiary undertakings

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

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

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

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

26. Pension schemes

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

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

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

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

Full provision has been made for those pension costs that do not arise from externally funded defined benefit schemes. The amount charged to the statement of comprehensive income represents either the contributions payable to the individual plans in respect of the year or the service cost expected to arise from employee service in the current year. The total pension charge in the financial statements reflects the costs incurred by the group during the year of £1,989,000(2020: £22,200,000); and is analysed as follows:

	Employer pension contributions (note 7)	Net charge on pension assets (note 8)	Provision movement (note 18)	Consolidated	
				2021 £000	2020 £000
Universities Superannuation Scheme	12,068	191	(1,718)	10,541	(10,048)
Lothian Pension Fund	3,466	692	(13,287)	(9,129)	31,555
Scottish Teachers Superannuation Scheme	51	-	(27)	24	22
Other pension costs	553	-	-	553	671
	16,138	883	(1,032)	1,989	22,200

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 (to 31st March 2018) was at 31 July 2021, of the Lothian Pension Fund (LPF) scheme on 31 March 2020, of the Scottish Teachers Superannuation Scheme on 31 March 2016 and of the Supplementary Pension Scheme (SPS) on 31 March 2016.

a. Universities Superannuation Scheme

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

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

The University is required to contribute a specified percentage of payroll costs to the pension scheme to fund the benefits payable to the company's employees. The percentage effective for the period of the accounts was 21.1%.

The total cost charged to the statement of comprehensive income is £10,837,000 (2020: - £10,048,000) as shown above.

Deficit recovery contributions due within one year for the University are £3,171,000 (2020: £1,207,000)

As at 31 July 2021, the latest available complete actuarial valuation of the Retirement Income Builder section of the Scheme is at 31 March 2018 (the valuation date), which was carried out using the projected unit method. A valuation as at 31 March 2020 has been completed and is subject to final consultation. Details of the 31 March 2020 valuation is included in Note 30.

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

The 2018 valuation was the sixth valuation for the scheme under the scheme-specific funding regime introduced by the Pensions Act 2004, which requires schemes to adopt a statutory funding objective, which is to have sufficient and appropriate assets to cover their technical provisions. At the valuation date, the value of the assets of the Scheme was £63.7 billion and the value of the Scheme's technical provisions was £67.3 billion indicating a shortfall of £3.6 billion and a funding ratio of 95%.

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

Pension increases (CPI)	Term dependent rates in line with the difference between the Fixed Interest and Index Linked yield curves, less 1.3% pa.
Discount rate (forward Rates)	Years 1-10: CPI -0.14% reducing linearly to CPI -0.73% Years 11-20: CPI +2.52% reducing linearly to CPI +1.55% by year 21 Years 21+: CPI +1.55%
The main demographic assumption used relates to the mortality assumptions. These assumptions are based on analysis of the Scheme's experience carried out as part of the 2018 actuarial valuation. The mortality assumptions used in these figures are as follows:	

The current life expectancies on retirement at age 65 are:

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

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

	2021	2020
Scheme assets	£63.7bn	£63.7bn
Total scheme liabilities	£67.3bn	£67.3bn
FRS 102 total scheme deficit	£3.6bn	£3.6bn
FRS 102 total funding level	95%	95%

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

	2021	2020
Discount rate	2.59%	2.59%
Pensionable salary growth	n/a	n/a
Pension increases (CPI)	4.20%	4.20%

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 2021

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

	2021	2020
Equities	72%	75%
Bonds	14%	11%
Property	6%	7%
Cash	8%	7%

The major assumptions at 31 July 2021 used by the actuary

	2021	2020
Pension increase rate	2.85%	2.20%
Salary increase rate	3.35%	3.90%
Discount rate	1.60%	1.40%

Life expectancy

Life expectancy is based on the Fund's VitaCurves with improvements in line with the CMI 2020 model, with a 0% weighing of 2020, standard smoothing (Sk7), initial adjustments of 0.5% and a long-term rate of improvement of 1.5% p.a. Based on these assumptions, the average future life expectancies at age 65 are summarised below for males and females.

	Males	Females
Current Pensioners	20.5 years	23.3 years
Future Pensioners*	21.9 years	25.2 years

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

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

Period ending	Prospective pensioners	Pensioners
31 July 2021	CMI2018 model assuming an allowance for smoothing of recent mortality experience and a long term-rate of improvements of 1.25% p.a.	CMI2018 model assuming an allowance for smoothing of recent mortality experience and a long term-rate of improvements of 1.25% p.a.

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

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

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

Period Ended 31 July	2021			2020		
	Assets	Obligations	Net Asset/ (Liability)	Assets	Obligations	Net Asset/ (Liability)
	£'000	£'000	£'000	£'000	£'000	£'000
Opening Position as at 31 July, previous year						
Fair value of plan assets	136,657	-	136,657	141,099	-	141,099
Present value of funded liabilities	-	(185,636)	(185,636)	-	(161,825)	(161,825)
Present value of unfunded liabilities	-	(213)	(213)	-	(203)	(203)
	136,657	(185,849)	(49,192)	141,099	(162,028)	(20,929)
Defined benefit costs recognised in Profit or (Loss)						
Service Cost						
Current service cost*	-	(6,962)	(6,962)	-	(5,954)	(5,954)
Past service cost (including curtailments)	-	(110)	(110)	-	-	-
	-	(7,072)	(7,072)	-	(5,954)	(5,954)
Net interest						
Interest income on plan assets	1,912	-	1,912	2,971	-	2,971
Interest cost on defined benefit obligation	-	(2,604)	(2,604)	-	(3,440)	(3,440)
	1,912	(2,604)	(692)	2,971	(3,440)	(469)
	1,912	(9,676)	(7,764)	2,971	(9,394)	(6,423)
Cashflows						
Plan participants' contributions	790	(790)	-	791	(791)	-
Employer contributions	3,466	-	3,466	3,292	-	3,292
Estimated benefits paid	(4,246)	4,246	-	(3,598)	3,598	-
Estimated unfunded benefits paid	(14)	14	-	(14)	14	-
Estimated contributions in respect of unfunded	14	-	14	14	-	14
Effect of business combinations and disposals	-	-	-	-	-	-
	10	3,470	3,480	485	2,821	3,306
	138,579	(192,055)	(53,476)	144,555	(168,601)	(24,046)
Expected closing position						
Remeasurements						
Changes in demographic assumptions	-	2,686	2,686	-	(17,913)	(17,913)
Changes in financial assumptions	-	(10,905)	(10,905)	-	-	-
Other experience	(7,194)	12,681	5,487	-	665	665
Return on assets excluding amount included in net interest	19,611	-	19,611	-	-	-
Total remeasurements recognised in						
Other Comprehensive Income (OCI)	12,417	4,462	16,879	(7,898)	(17,248)	(25,146)
Closing Position as at 31 July 2021	150,996	(187,593)	(36,597)	136,657	(185,849)	(49,192)
Represented by:						
Fair value of plan assets	150,996	-	150,996	136,657	-	136,657
Present value of funded liabilities	-	(187,397)	(185,859)	-	(185,636)	(185,636)
Present value of unfunded liabilities**	-	(196)	(196)	-	(213)	(213)
Closing position as at 31 July 2021	150,996	(187,593)	(36,597)	136,657	(185,849)	(49,192)

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

** The unfunded obligations comprise £196,000 in respect of LGPS unfunded pensions and £0 in respect of Teachers' unfunded pensions.

Information about the defined benefit obligation

	Liability split (£000) as at 31 July 2021	Liability split (%) as at 31 July 2021	Weighted average duration at previous formal valuation
Active members	13,704	80.9%	23.9
Deferred members	801	3.8%	24.4
Pensioner members	3,298	15.3%	11.8
Total	17,803	100%	19.7

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

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

Period Ending 31 July 2021	Assets £000	Obligations £000	Net (liability)/asset	
			£000	% to pay
Projected Current service cost*	-	7,734	(7,734)	(58.3%)
Total Service Cost	-	7,734	(7,734)	(58.3%)
Interest income on plan assets	2,415	-	2,415	18.2%
Interest cost on defined benefit obligation	-	3,012	(3,012)	(22.7%)
Total Net Interest Cost	2,415	3,012	(597)	(4.5%)
Total Included in Profit and Loss	2,415	10,746	(8,331)	(62.8%)

The current service cost includes an allowance for administration expenses of 0.3% of payroll. The monetary value is based on a projected payroll of £13,260,000.

The contributions paid by the Employer are set by the Fund Actuary at each triennial actuarial valuation (the most recent being t 31 March 2020, which was concluded by 31 March 2021), or at any other time as instructed to do so by the Administering Authority. The contributions payable over the period to 31 March 2021 are set out in the Rate and Adjustments certificate. The Employer's contributions are estimated for the period to 31 July 2022 to be approximately £3,275,000. The above figures should be treated as estimates and may need to be adjusted to take account of:

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

The monetary amount of the projected service cost for the period to 31 July 2022 may be adjusted to take account of actual pensionable payroll for the period.

Sensitivity analysis

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

Change in assumptions at 31 July 2021:	Approximate % increase to Employer Liability	Approximate monetary amount (£000)
0.1% decrease in Real Discount Rate	2%	3,595
1 year increase in member life expectancy	4%	7,442
0.1% increase in the Salary Increase Rate	0%	363
0.1% increase in the Pension Increase Rate (CPI)	2%	3,178

In order to quantify the impact of a change in the financial assumptions used, the value of the scheme liabilities as at 31 July 2021 has been calculated and compared on varying bases. The approach taken is consistent with that adopted to derive the FRS 102 figures provided in this report.

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

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

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

McCloud Judgement

When the LGPS benefit structure was reformed in 2015, transitional protections were applied to certain older members close to normal retirement age. Following legal proceedings argued in the McCloud and Sargeant cases, the Court of Appeal found that the transitional provisions introduced in the judges and firefighters' pension schemes in 2015 gave rise to unlawful age discrimination. The UK Government requested leave to appeal this finding but this was refused by the Supreme Court on 27 June 2019. The UK Government has formally accepted the Court's decision and, recognising the implications for all public sector pension schemes, is engaging with relevant representatives to agree how the discrimination will be remedied. In 2019 the Lothian Pension Fund actuary adjusted the Government Actuary's Department estimate to better reflect the University's local assumptions, particularly withdrawal rates and salary increases. The estimated impact of the McCloud judgement was included in the 2018/19 financial statements as a past service cost estimated at £1.5 million. Since the University initially accounted for the liability arising in the Lothian Pension Fund from the McCloud case, a further consultation has been issued, which outlines a proposed approach to addressing the additional liabilities arising. Under the revised approach, the McCloud impact continues to represent around 1.2% of total liabilities and there is therefore no material change to the actuarial loss relating to the McCloud judgement in 2019/20. There has been no change in this position during the year to 31 July 2021.

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

Goodwin Judgement

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

c. Scottish Teachers' Superannuation Scheme

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

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

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

The amount charged to the Statement of Comprehensive Income and Expenditure represents the employer's contributions payable to the scheme in respect of the year. The total contribution made for the year ended 31 July 2021 was £75,934 (2020: £73,967), of which employer's contributions totalled £51,430 (2020: £50,035) and employee's contributions totalled £24,504 (2020: £23,932).

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

d. National Employment Savings Trust (NEST)

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

A total of 248 employees were active members at the year-end. The employer's costs for the year ended 31 July 2021 was £28,404 (2020: £18,549).

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 2021 was £46,574 (2020: £49,530).

27. Events after the reporting period

Non-adjusting Post Balance Sheet Events

At the year end date, a further full valuation of the Universities Superannuation Scheme (USS), as at 31 March 2020, was underway. Work was still to be done agreeing the technical provisions assumptions, the extent of future investment risk, the duration of the deficit period and the level of deficit contributions. Rule changes in respect of strengthening the employer covenant were also in progress including restrictions on employer exits, debt monitoring and pari passu arrangements. The valuation did not meet its statutory deadline of 30 June 2021.

A new Schedule of Contributions based on the March 2020 actuarial valuation was agreed in September 2021. The valuation revealed a shortfall in assets, when measured against the Scheme's technical provisions. The size of the shortfall is dependent on whether the anticipated benefit structure reforms and covenant support measures are implemented by 28 February 2022. If this takes place, the shortfall as at 31 March 2020 is £14.1 billion. If no Benefit Change Deed is entered into, the reduced level of covenant support results in an increase to the technical provisions and the shortfall as at 31 March 2020 is £18.4 billion. This represents a significant deterioration from the £3.6 billion deficit established under the 2018 valuation.

A new deficit recovery plan has been agreed which amends the existing deficit recovery plan set out in the 2018 valuation. As the 2020 Valuation effective date occurred after 31 July 2021 but before these financial statements were approved by the University Court, the 2020 Valuation constitutes a non-adjusting post balance sheet event. This means that the deficit recovery provision at year end has been based on the 2018 Valuation, which was binding at the year-end date. The impact of the revised DRCs arising from the 2020 valuation would have been to increase the required level of provision at 31 July 2021 from £24.7 million by £46.4 million, to an amount of £71.1 million. The impact of the 2020 valuation will be reflected within the Group accounts to 31 July 2022.

28. Financial instruments

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

a. Liquidity risk

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

	Carrying amount	Contractual cash flows	Within one year	After more than one year
Financial liabilities	£000	£000	£000	£000
Trade creditors and other payables (less accruals and loans)	41,223	-	39,042	2,181
Other financial liabilities	146,229	-	1,029	145,200
	187,452	-	40,071	147,381

b. Credit risk

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

Carrying amount	
2021	2020
£000	£000
Financial assets	
Trade debtors and other receivables	22,283
Cash and cash equivalents	109,423
128,681	131,706

c. Market risk

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

• Interest rate risk

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

	2021	2020
	£000	£000
Fixed rate instruments		
Financial liabilities	(140,689)	(141,509)
Variable rate instruments		
Financial assets	21,104	19,097

• Currency risk

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

d. Fair values

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

	Carrying amount & fair value	
	2021	2020
	£000	£000
Trade debtors and other receivables	23,310	22,422
Cash and cash equivalents	105,371	109,423
Trade creditors and other payables	(41,223)	(33,838)
Other financial liabilities	(146,229)	(146,875)
	(58,771)	(48,868)

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	Fair value deemed to be the same as book value
Cash and cash equivalents:	Fair value deemed to be the same as book value
Trade creditors and other payables:	Fair value deemed to be the same as book value

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

29. Access funds

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

	Covid-19 £000	Childcare £000	Hardship £000	Total £000
At 1 August 2020	25	92	426	543
Repaid to funding body	(13)	0	0	(13)
Funding council grants	554	26	79	659
Disbursed to students	(525)	(66)	(150)	(741)
Vired between funds	-	-	-	-
Balance unspent at 31 July 2021	41	52	355	448
Repayable to funding body	41	52	355	448

30. Related party transactions

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

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

	Payments received	Balance due to Institution at 31/7/2021	Payments made	Balance due from Institution at 31/7/2021
	£000	£000	£000	£000
Glasgow Caledonian University	7	-	-	-
University of Aberdeen	42	-	-	-
Social Investment Scotland	23	-	-	-
QAA	14	-	-	-

Year ended 31 July 2021

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

During the year, the University made grants to the Heriot-Watt Students Union totalling £729,607 (2020: £639,453).

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

	Consolidated
	2021 £000
Arts and Humanities Research Council	77
Biotechnology and Biological Sciences Research Council	317
Economic and Social Research Council	164
Engineering and Physical Sciences Research Council	11,187
Medical Research Council	180
Natural Environment Research Council	847
Science and Technology Facilities Council	434
Other (British's Academy, Royal Societies, etc.)	1,547

31. Contingent Liabilities

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

The University continues to be engaged in legal action with a former partner organisation, who alleges breach of contract. The information usually required by Section 21 of FRS 102 is not disclosed on the grounds that management consider that it may seriously prejudice the outcome of the litigation. The Court of first instance gave judgement in favour of the University and the University and its lawyers remain of the opinion that the claim will be successfully resisted. A counter claim by the University was found in its favour. These cases are currently progressing through an appeals process.

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